

LUTHER COLLEGE

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*Finance and Budget Materials for
Departments*

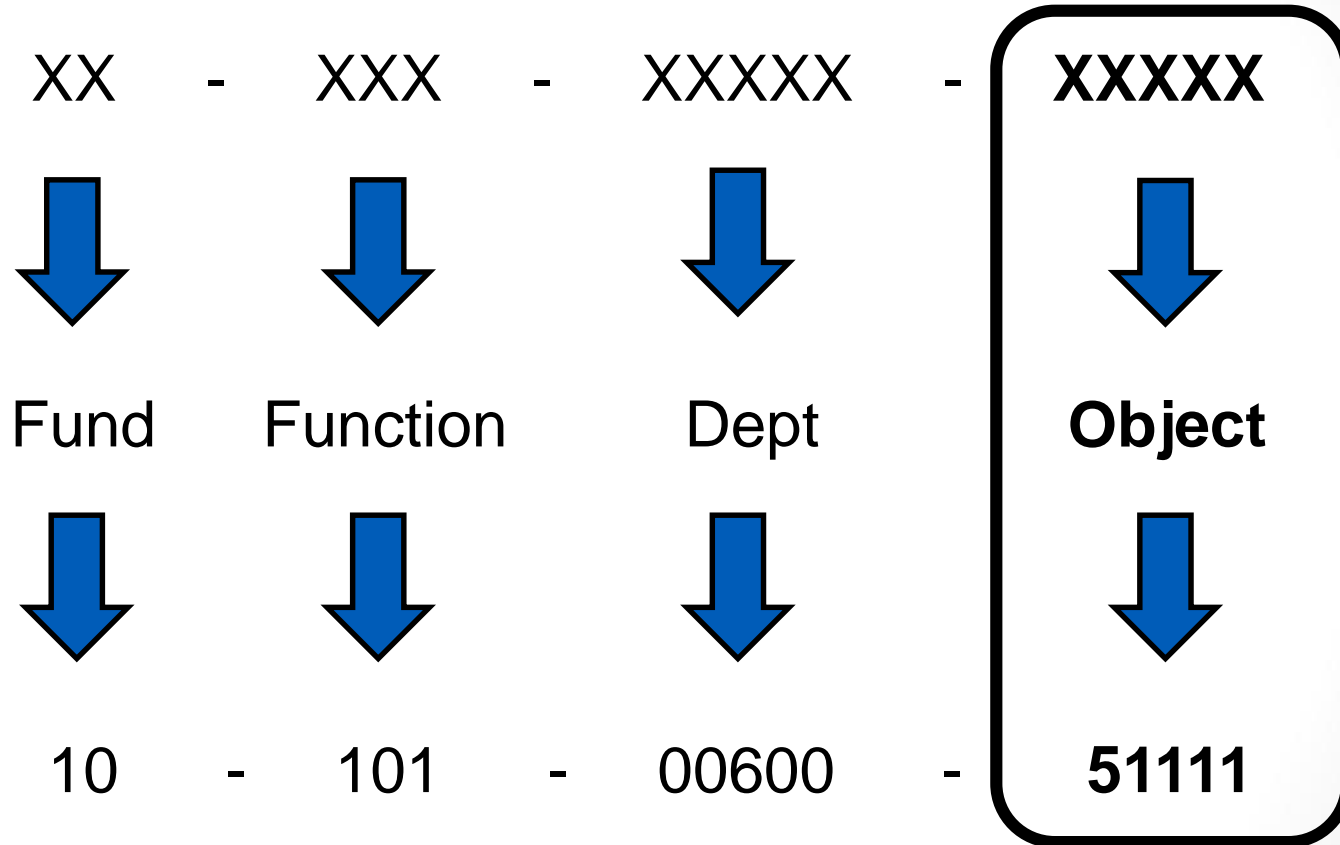
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Financial Reporting

Accurate Financial Reporting

- Financial Statements audited annually
 - College's fiscal/budget year begins June 1 and ends May 31
 - Statements used by Board; cabinet; financial partners; Department of Education; donors, foundations, and granting agencies to evaluate the college's health and monitor compliance
- Departments play an important role in reporting accuracy
 - Appropriate account numbers that reflect the nature of the activity
 - Recording activity in the appropriate period

Account Numbers at Luther



Assets

- **Object code:** 1XXXX
- **Definition:** things we own
- **Normal balance:** balance appears as positive number
- **Examples:**
 - Deferred expense (object code = 121XX)
 - Prepayment for goods not yet received or services not yet rendered

Liabilities

- **Object code:** 2XXXX
- **Definition:** things we owe
- **Normal balance:** balance appears as negative number
- **Examples:**
 - Deferred revenue (object code = 22XXX)
 - Cash received for services not yet performed
 - Agency account (object code = 23920)
 - Cash belonging to a student organization

Fund Balances

- **Object code:** 3XXXX
- **Definition:** balance carried forward from the prior year
- **Normal balance:** available balance appears as negative number
- **Examples:**
 - Endowment spending account (fund 11) isn't entirely spent and a balance carries forward
 - Restricted gifts (fund 12) received in May roll forward as an opening balance in June

*All activity within our general operating fund (fund 10) is pooled and either funded or allocated in consultation with the Board

Revenues

- **Object code:** 4XXXX
- **Definition:** dollars coming in
- **Normal balance:** balance appears as negative number
- **Examples:**
 - Gifts – 41201
 - Course fees – 40280
 - Sales – 45001
 - Summer programs revenue – 45401
 - Miscellaneous revenue - 44900

Expenses

- **Object code:** 5XXXX
- **Definition:** dollars going out
- **Normal balance:** balance appears as positive number
- **Examples:**
 - Operating expenses – 51XXX
 - Overtime - 50033
 - Student work – 502XX
 - Equipment – 52XXX
 - Transfers – 57XXX
 - Transfers represent funds that are transferred in (appear as negative numbers) or out (appear as a positive number)

Operating Expense Examples

- 511XX – Supplies
- 512XX – Communication
 - E.g. printing (51221), postage (51231)
- 513XX – Meetings and services
 - E.g. meetings/events (51331), professional services (51311)
- 514XX – Travel
- 515XX – Property expenses
- 516XX – Maintenance and service contracts
- 518XX – Cost of goods sold
- 519XX – Miscellaneous operating expenses

Account Number Questions

- If you would like a new account number created, contact Andrew Bailey (x1532; bailan01@luther.edu)
- If you need an account number added for allocating Luther commercial credit card transactions, email finservccard@luther.edu
- All invoices, payment vouchers, and cash/check deposits submitted to OFS should have appropriate 15-digit account numbers indicated

Timing Considerations - Expenses

- Purchase of goods recorded as an expense in the period in which the goods are ***received***
 - E.g. a box of pens ordered on May 26th that arrives on June 2nd is a June expense
- Purchase of services recorded as expense in the period in which the services are ***rendered***
 - E.g. a July flight that is booked and paid for in April is a July expense
- ***Note:*** Goods must be received and services must be rendered in the current year in order to be funded by the current year's budget

Timing Considerations - Revenues

- Sale of goods or services recorded as revenue when the goods or services are delivered
 - E.g. when someone pays a summer camp fee in April, the revenue is recorded in the summer when the camp takes place (or when the fee becomes nonrefundable)
- Sometimes expenses can be deferred to be recorded in the same period as associated revenue
 - E.g. sheet music purchased in April for campers to use at Dorian summer camp can be recorded in the summer
- Call Andrew Bailey (x1532) with questions about the timing of revenues/expenses

Budget Management

Budget Director Responsibilities

- Regularly review activity using Finance Query on Norse Hub
- Verify validity of transactions
- Verify transaction amounts
- Verify that transactions posted to appropriate accounts
- Ensure spending is within budgeted amounts
 - Operating expenses and revenues
 - Student work
 - Overtime
 - Individual lines can be overspent, as long as each category above is not overspent

Finance Query

- Norse Hub resources on help desk webpage
 - <https://www.luther.edu/offices/its/help-desk/services/software/norsehub>
 - Budget director guide is included on the Employees tab of the Features section
- Finance Query filters are based on components of Luther's 15-digit account numbers
 - Overly restrictive filters can show an incomplete picture (e.g. entering a function value of 201 will exclude any revenue accounts with a function value of 000)

Budget Pooling

Fund: 10 Dept: 50600 Object: 51

GL Account	Budget	Actuals	Requisitions	Encumbrances	Remaining
U 10-201-50600-51000 Sample Department : Operating Expenses (pooled budget)	\$6,950.00	\$4,268.86	\$0.00	\$0.00	\$2,681.14
Grand Total	\$6,950.00	\$4,268.86	\$0.00	\$0.00	\$2,681.14

- Click the down arrow next to the U (umbrella) to see the accounts included in the pool

Departmental Revenue Budgets

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Fund: 10 Dept: 03007 Object: 4, 5 Hiding active accounts w/ no activity

GL Account	Budget	Actuals	Requisitions	Encumbrances	Remaining
10-000-03007-45001 Sample Department : Dept'l Sales	-\$3,000.00	\$0.00	\$0.00	\$0.00	-\$3,000.00
U 10-105-03007-50210 Sample Department : Std't Work - Acad Yr	\$3,000.00	\$0.00	\$0.00	\$0.00	\$3,000.00
U 10-105-03007-51000 Sample Department : Operating Expenses (pooled budget)	\$1,000.00	\$0.00	\$0.00	\$0.00	\$1,000.00
Grand Total	\$1,000.00	\$0.00	\$0.00	\$0.00	\$1,000.00

- If revenue is budgeted, the entire expense budget cannot be spent unless the revenue budget is achieved

Unbudgeted Departmental Revenue

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Fund: 10 Dept: 11300 Object: 4, 5 Hiding active accounts w/ no activity

GL Account	Budget	Actuals	Requisitions	Encumbrances	Remaining
10-000-11300-45001 Sample Department : Dept'l Sales	\$0.00	-\$572.00	\$0.00	\$0.00	\$572.00
✓ U 10-105-11300-51000 Sample Department : Operating Expenses (pooled budget)	\$1,300.00	\$1,663.83	\$0.00	\$0.00	-\$363.83
Grand Total	\$1,300.00	\$1,091.83	\$0.00	\$0.00	\$208.17

- When revenue is received that was not budgeted, it increases the funds available for the department

Endowment Spending Accounts

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Fund: 11 Dept: 36028 Object: 3, 4, 5 Hiding active accounts w/ no activity

GL Account	Budget	Actuals	Requisitions	Encumbrances	Remaining
11-000-36028-42000 Sample Department : Endowment Income	-\$1,852.00	\$0.00	\$0.00	\$0.00	-\$1,852.00
11-133-36028-31000 Sample Department : Designated Fund Balance	\$0.00	-\$4,175.17	\$0.00	\$0.00	\$4,175.17
✓ U 11-133-36028-51000 Sample Department : Operating Expenses (pooled budget)	\$1,852.00	\$213.08	\$0.00	\$0.00	\$1,638.92
11-133-36028-57001 Sample Department : Transfers	\$0.00	\$740.88	\$0.00	\$0.00	-\$740.88
Grand Total	\$0.00	-\$3,221.21	\$0.00	\$0.00	\$3,221.21

Budgeted total = current year spending allowance

Total funds available = carry forward balance + current year spending allowance – current year expenses

Restricted Gift Accounts

Fund: 12 Dept: 01400 Object: 3, 4, 5 Hiding active accounts w/ no activity

GL Account	Budget	Actuals	Requisitions	Encumbrances	Remaining
12-000-01400-41201 Sample Department : Private Gifts	\$0.00	-\$2,500.00	\$0.00	\$0.00	\$2,500.00
12-101-01400-31000 Sample Department : Designated Fund Balance	\$0.00	-\$460.83	\$0.00	\$0.00	\$460.83
12-101-01400-57001 Sample Department : Transfers	\$0.00	-\$945.00	\$0.00	\$0.00	\$945.00
Grand Total	\$0.00	-\$3,905.83	\$0.00	\$0.00	\$3,905.83

- Total funds available = carry forward balance + current year gifts – current year expenses

Funding Unexpected/Emergency Needs

- Options in order of priority
 1. Adjust plans for current year budget to accommodate the new expenditure
 2. Use available funds in a related endowment spending or restricted gift account
 3. Consult with cabinet representative to find funds from somewhere in the division
 4. Consult with director of budgeting and/or VP for finance to explore other options (before making any expenditures)

Resources

Finance Query Support

- Norse Hub resources on help desk page
 - <https://www.luther.edu/offices/its/help-desk/services/software/norsehub>
 - Budget director guide is included on the Employees tab of the Features section
 - Direct link: <https://www.luther.edu/wp-content/uploads/2022/08/NorseHub.luther.edu-instructions-for-budget-directors-1.pdf>
- Contact Andrew Bailey (bailan01@luther.edu, x1532) with questions

Policies

- Policy web page: <https://www.luther.edu/policies>
- Finance policies include...
 - Accounting for revenues and expenses
 - Bidding
 - Budget development and reporting
 - Checks and cash deposit
 - Contracts
 - Credit cards (commercial)
 - Fraud
 - Purchasing and payment for expenses
 - Travel expenses

Financial Questions

- Credit card questions: finservccard@luther.edu
 - Katrina Nicholls – nichka02@luther.edu, x1533
- Accounts payable questions: accountspayable@luther.edu
 - Ian Rucker – rockia01@luther.edu, x1534
- Payroll questions: payroll@luther.edu, x1135
- Budget questions
 - Andrew Bailey – bailan01@luther.edu, x1532
- Other finance/accounting questions
 - Amber Kuennen – amber.kuennen@luther.edu, x1526

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