FINANCIAL, MARKETING AND MANAGEMENT DIAGNOSTICS CHECKLIST

I. Financial Diagnostics

A. Operations

	Check off
1. Is the operating net or total net increasing or decreasing; if it is decreasing, why?	
2. Are revenue and expense growth rates in balance?	
3. If revenue is falling, why?	
4. What is the trend for net tuition price relative to expense growth—rising, falling, or stagnant?	
5. What is the trend for net tuition revenue relative to expense growth—rising, falling, or stagnant?	
6. What proportion of revenue is gifts?	
7. Do auxiliaries produce a positive net income?	
8. If the expenses are growing faster than revenue, why?	
9. Is the growth rate for core expenses less than for noncore expenses; if so, why?	
10. What is the trend in total compensation?	
11. What is the tuition dependency rate?	
12. How does operational performance compare to the competition?	

B. Operations—Drivers

1. What is the enrollment—by level and by program?	
2. What is the attrition rate—by level and by program?	
3. What is the graduation rate—by level and by program?	
4. How many employees—faculty, staff, and administration?	
5. What is the cost of employees—faculty, staff, and administration?	
6. How are employees allocated between core and noncore services?	
7. What is the student-faculty ratio?	
8. What is the average class size?	
9. How many classrooms are there?	
10. How is space allocated between core and noncore services?	
11. How many parking spaces are there?	

C. Working Capital

	Check off
1. Are cash and short-term investments increasing over time?	
2. Are cash and short-term investments growing as fast as expenses?	
3. What is the source of the increase in cash—operations, increases in payables and accruals, reduction in receivables, increase in short- or long-term debt?	
4 Are cash and short-term investments greater than 16.0 percent of expenses? (This is a rough measure of one month of cash disbursements from expenditures.)	
5. Are receivables as a proportion of tuition increasing; if so, why? I	

6. Are uncollectible accounts as a proportion of receivables increasing; if so, why?	
7. Are students billed monthly?	
8. What is being done to collect outstanding bills?	
9. Is inventory as a proportion of auxiliary sales increasing; if so, why?	
10. Are payables and accruals as a proportion of expenses increasing; if so, why?	
11. Are vendors, taxes, and benefits paid on time?	
12. Is short-term debt increasing; if so, why?	
13. Prepare a short-term debt list—terms, lender, payment schedule, and reasons for borrowing.	
14. Is the available funds ratio (cash and short-term investments to current liabilities) declining; if so, why?	

D. Permanent Capital

	Check off
1. Is long-term debt increasing?	
2. List for long-term debt—terms, conditions, payment schedules, and uses? (Include all forms—on and off-balance sheet borrowing.)	
3. Is the debt leverage ratio less than 2:1? If so, debt may be excessive.	
4. Does the college have a debt policy?	
5. Is the return on net assets declining; if so, why?	
6. Is the capitalization rate less than 50 percent? If so, it may limit future borrowing.	
7. How does the return on investments (endowment) compare to a benchmark (ex. S&P 500)?	
8. What is the investment policy of the college?	
9. What is the payout ratio for the endowment fund?	
10. How is the payout ratio computed?	
11. Is there deferred maintenance? If so, how much is it and list the major categories.	
12. Is there a long-term strategy for space utilization for the campus?	
13. Does the college have sufficient parking?	
14. Are new facilities designed and located to permit sale?	

E. Financial Performance (place all reports in a three year trend table)

	Check off
1. Have weights and growth rates for revenue and expenses been computed?	
2. Have growth rates been computed for working capital?	
3. Have these ratios been computed? a. Tuition dependency; b. Net tuition after unfunded institutional aid; c. Operating margin; d. Cash income; e. Cash expense; f. Current ratio; g. Available funds ratio;	

h. Receivables; i. Uncollectible receivables; j. Inventory ratio; k. Payables and accruals; l. Viability; m. Debt service; n. Interest expense; o. Composition; p. Capitalization; q. Age of facility; r. Free expendable resources to operations; s. Total financial resources per student; and t. Endowment payout.	
4. Compute the preceding ratios for the previous five years and compare trends.	
5. Is the primary ratio less than .40? (A ratio less than .40 means that the college may not have the capacity to transform itself or to cover five months of expenses.)[1]	
6. Is net income with depreciation less than 2% of total revenue? (If so, this suggests that the college is living beyond its means and may not be building adequate reserves.)[2]	
7. Is the viability ratio less than 1:1? (When this ratio falls below 1:1; a college's ability to respond to adverse conditions from internal resources is jeopardized; the ratio should fall in the range of 1.25 to 2.0.)[3]	
5. Compute the CFI score for the college.	

F. Financial Distress—CFI Score < 3

	Check off
1. Conduct strategic analysis of the college.	
2. Is the current market viable? Why do students choose or not choose the college?	
3. Can the institution produce new revenue or cut expenses to survive? a. Are there new sources of revenue? b. Can costs be cut through reorganization? c. Can the college run a fund-raising campaign? Who are the benefactors? d. What is the condition of the plant? e. Can debt be refinanced or reduced through gifts?	
4. What is the college's strategic turnaround plan?	

G. Major Financial Distress

	Check off
1. Is the CFI score < 1?	
2. Has the state warned that licensing will be withdrawn?	
3. Has the U.S. Department of Education imposed financial conditions before student aid can be received?	
4. Has an accrediting agency warned that accreditation will be withdrawn?	
5. Does the college have sufficient cash or other investments to pay its bills?	
6. Can the college meet its payroll?	
7. Are payroll tax payments delinquent?	
8. Are payroll benefits delinquent?	

9. Is the college delinquent on debt payments?	
10. Has the college considered a merger?	
11. Does it have a survival/turnaround plan? Is it feasible?	
12. Has the college declared financial exigency?	
13. Is there a viable plan to close in an orderly fashion?	

II. Marketing Diagnostics

A. Competition

	Check off
1. Who are the major competitors?	
2. What is their enrollment?	
3. What is the market share for each competitor and the college?	
4. How does the enrollment growth rate of the college compare to competitors?	
5. How does the college's net price compare to the competitors?	
6. What services do competitors provide students that the college does not?	
7. Why do students choose a competitor?	
8. What would the college have to change to compete with its competitors?	
9. Are new competitors entering the market?	

B. Market Analysis

	Check off
1. What do you know about your students? a. Why do they choose the college? b. Why do some students not leave the college? c. Can you give a description of the student market for the college? d. Can you give a description of the student market for each program?	
2. What are the yield rates for: a. Admissions (students applying/inquiries)? b. Admitted students (admitted/applications)? c. Matriculated students (matriculated/admitted students)?	
3. Have students been surveyed to see what they would change or improve?	
4. What is the attrition rate for first-year students?	
5. What is the graduation rate?	
6. How effective is the alumni office in building enrollment?	
7. What are the components of the marketing campaign and are they effective?	
8. Is the student market viable? a. Is the population shrinking? b. Is the college in an isolated rural area? c. Does the college offer programs that other colleges offer?	
9. Does the pricing policy bring in the students that the college wants?	
10. Does the pricing policy respond to the competition?	
11. What is the image of the college to prospective students when they visit?	
12. Does the college have an effective public relations program?	
10. Develop a marketing program attuned to the reasons students would choose the college per George Dehne's themes—reduce risk of the choice, inform the prospective students on how the college fits them, reach the students through a variety of sources, and make sure product, price, and place are attuned to the promotion campaign.[4]	

III. Management and Oversight

	Check off
1. Does the college have an annual audit?	
2. Does the board meet privately with the auditors to review financial management and performance?	
3. Does the board review the financial aid audit?	
4. Does the college conduct compensation and benefit tests to ensure conformity with federal regulations?	
5. Are personnel practices reviewed to ensure conformity with regulations?	
6. Does the college have unrelated business income that must be reported?	
7. Are there policies on providing services by board members and by businesses owned by key administrators?	
8. Are there policies on review of expense reimbursements and purchases by key administrators?	
9. Does the college have a business policies and practices manual?	
10. Is there a formal review and evaluation process for all levels of the college including the key administrators?	
11. What is the college's Dunn & Bradstreet rating?	
12. What is the strategic plan for the college—education, finance, and marketing?	
13. Is the college on target—is it healthy and will it be around another five years?	

References

1. Dehne, George. (2001) *Student Recruitment: A Marketing Primer for Presidents*, GDA Integrated Services. Old Saybrook CT.

2. Salluzzo, R. E., Tahey, P., Prager, F. J., & Cowen, C. J. (1999). *Ratio analysis in higher education* (4th ed., p. 13). KPMG and Prager, McCarthy & Sealy. Washington DC.