Converting Multi-Year Donations into Available Funding for Key Projects

When it comes to funding large key projects, cash flow is often a challenge at many colleges and universities. As a result, schools are turning to capital campaigns as a way to bring in additional revenue and stabilize cash flow. According to the *Chronicle of Higher Education's* recent report, "Weathering the Economic Storm: Chief Financial Officers on Building a Sustainable Future for Higher Education," 72% of CFOs at private, four-year schools stated that they plan to ***increase fundraising*** to bring more revenue into their school.[1]

However, just because a school runs a capital campaign, doesn't necessarily mean they have the capital required to start key projects now.

Capital constraints frequently hamper the long list of initiatives schools have planned. Especially on larger projects, cash flow challenges often emerge, as pledges and/or grants may be received over a period of 3 to 7 years. To address this common challenge, many schools are looking for ways to convert multi-year donations into available funding for critical campus projects such as:

- *Athletic Fields & Stadiums*
- *New Majors & Programs*
- *Campus Renovations*

Cash Flow Challenges Can Delay Growth

A rapidly expanding liberal arts university in the southwest faced this same challenge as it rolled out its new football program. As part of its strategic campus master plan, a feasibility study was launched as they considered adding the sport of football to ***drive growth in enrollment***. The school concluded that there was a business model to support the addition and it was able to secure financing for phase one of the project.

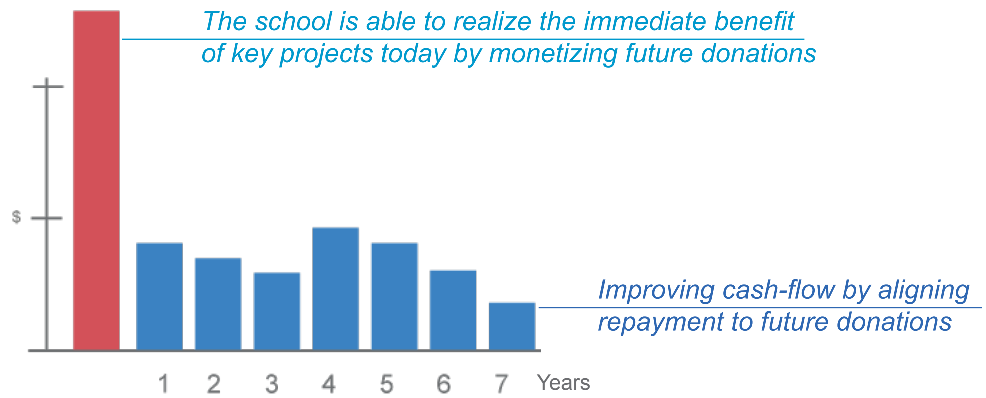
However, when it came to additional expenditures, such as the stadium and bleachers, it needed to raise the additional funds. The school launched a capital campaign and successfully secured the committed pledges needed for construction. However, the pledges would be received over a period of 5 to 7 years. With the football season already scheduled to start in the fall, the school was presented with a challenge. They could not defer the project and had to find a way to pay for the stadium seating now.

Interestingly, this situation is not unique to the school's new football program. Like many schools, supplemental revenue from capital campaigns can take years to receive. As a result, schools are challenged to either use significant amounts of working capital or wait until the campaign is more fully funded before starting key projects. This challenge can delay a school's strategic plan to drive growth initiatives and the execution of recruiting and retaining students.

Monetizing Future Donations

Funding for the football program was easily achieved through pledges over the next seven years but the school needed to start construction before all the pledge commitments were paid. First American Education Finance was able to work with the school to develop a strategic funding model to align the school's future donations to pay for the stadium project now and in the process improve the school's cash flow.

The team at First American first reviewed the university's pledge payment schedule and mapped out the future cash flow projections to create a flexible lease program for the school. All payments were scheduled to coincide with the receipt of the pledge payments from donors, eliminating any impact on the institution's working capital, while allowing it to build the much-needed stadium for it's new football program now.



Thanks to First American's ability to monetize the university's future revenue stream, the 5,000-seat stadium was built and filled to capacity even before the pledges had been paid. The campus has been re-energized and alumni re-engaged, all without tapping into the working capital necessary to fund its other future academic and programmatic goals.

Growing at a Faster Pace

Even better than the football stadium is the new solution that the school now has in place to grow and expand its campus. With the ability to monetize future donations, the university can continue to raise funds through capital campaigns and show donors real-time use of the funds that have been contributed to the school. It is also able to grow at a faster pace by adding new programs that will increase enrollment and ultimately generate more revenue for their school.

Through this unique funding solution the school was able to successfully fund and launch its new football program. It also improved its cash flow and was provided with additional liquidity to address other key initiatives.

To learn how first American is helping other schools monetize future grants and donations, visit
www.FAEducationFinance.com/Monetization

Source[1]: Jeffrey, S. (Ed.). (2014). Weathering the Economic Storm: Chief Financial Officers on Building a Sustainable Future for Higher Education. Survey by Huron Consulting Group, 21-21. Retrieved April 6, 2015, from Chronicle of Higher Education's 2015 Report, "Weathering the Economic Storm: Chief Financial Officers on Building a Sustainable Future for Higher Education

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