

## Financial Resources

Cotley is fortunate to have a strong financial base, experiencing annual budget growths of four to five percent and positive year-end fund balances in the last ten years. The continued support of the P.E.O. Sisterhood--through gifts, bequests, and annual dues--is a major factor contributing to this success. Existing resources are protected with sound financial management, and the College looks toward the future by exploring new or expanded revenue streams.

### **Operating Budget**

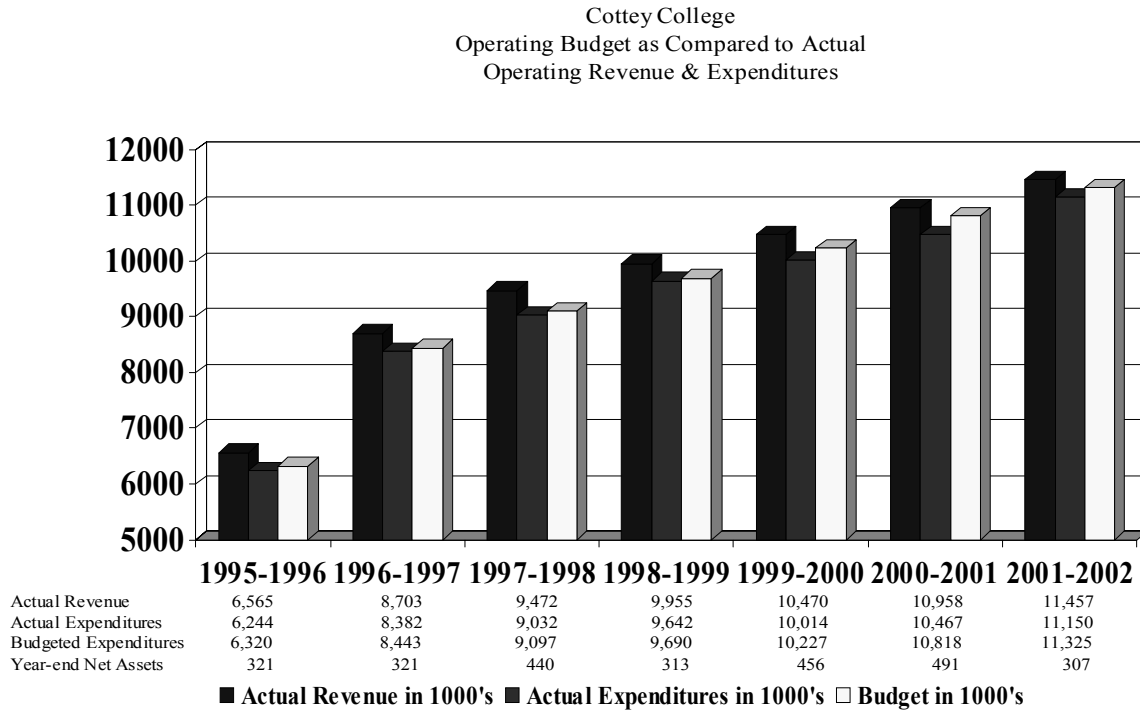
Budgeting is a collaborative process involving faculty, administrative staff, and the President's administrative council. (See Appendix 7-A for the budget timetable and campus involvement.) The budget takes into consideration elements outlined in the strategic plan. (This is documented under Criterion Four.)

The figure on the following page compares historical operating budgets to actual expenditures and revenues, and subsequent year-end operating fund balances.

The operating budget has three primary sources of funding: tuition and fees, investment income, and annual dues from the P.E.O. membership. The annual dues support is unique to Cotley College. The dues support was increased by vote of the delegates to the 2001 convention of International Chapter of the P.E.O. Sisterhood from \$4 to \$6, effective in Cotley's fiscal

year 2002-03. This is a positive indication of P.E.O.s' continuing support of Cottey.

**Figure 7.1**



Of the annual dues paid by each of the over 250,000 members, \$6 supports Cottey. Of the \$6, two-thirds or \$4 is directed to the College to support the operating budget--over \$1,000,000 annually. The remaining \$2 per member, or approximately \$500,000, is contributed to the Cottey College Building Fund, held by the P.E.O. Sisterhood, for physical facilities repairs and improvements.

The College conducts an annual audit performed by an independent certified public accountant. The internal preparation for the audit is led by the controller. The College has had a clean opinion for the past seven years. (Copies of audit reports are available in the Resource Room.) Over this time period, Cottey has only had one year, 2001-02, in which the change in net assets was negative. The \$6.4 million reduction of net assets is attributed primarily to two items: investment losses and the draw down of unrestricted

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reserves for the renovation of Main Hall. (See Appendix 7-B for the statement of financial position and the statement of activities for the last seven years.)

In addition to the audit report, the chief financial officer develops an annual presentation and handout on measuring institutional financial viability for the trustees. This presentation covers translating Cottey's financial reports to ratio analysis for comparative purposes, such as the primary reserve ratio which measures the duration of time that existing expendable resources could support operations, historical comparison of budget, endowment and student growth, and other comparative data relevant to Cottey. For example, based on Cottey's primary reserve ratio, the College's expendable resources would support the College for over three years. The presentation gives more meaning than just the audit report itself. (A copy of the presentation and handout is available in the Resource Room.)

### **Investments**

In 1981, the trustees created a set of investment guidelines, and began the practice of using professional fund managers hired by the trustees to manage the assets of the College. The current Statement of Investment Policy, Objectives, and Guidelines was adopted in October 1995 and revised in October 2002. (A copy of the statement is available in the Resource Room.) At each meeting the trustees review the status of the investments with the financial consultants and meet on an annual basis with the individual fund managers.

College investments are under the direct supervision of the board of trustees, with the treasurer serving as administrator and advisor to the board. Six professional money managers hired by the board manage an investment pool of approximately \$64.9 million as of June 30, 2002. This amount has increased from \$49.2 million, or 31.9 percent, over the past seven years. The performance of these managers is reviewed quarterly with an independent

financial consultant who also assists the board in hiring new managers, developing investment guidelines, and providing information to the trustees to enhance their understanding of investments. The following figure identifies Cottey's investment returns over the past seven years compared to the market index and our return target. It should be noted that Cottey's guidelines are structured to help ensure that when the market is down, the institution will sustain lower losses.

**Figure 7.2 - Investment Performance Overview**

<b>COTTEY COLLEGE INVESTMENT PERFORMANCE OVERVIEW</b>								
	<u>6/30/96</u>	<u>6/30/97</u>	<u>6/30/98</u>	<u>6/30/99</u>	<u>6/30/00</u>	<u>6/30/01</u>	<u>6/30/02</u>	<b>6/30/02 Since 06/30/95</b>
<b>Cottey Return</b>	11.38	23.18	14.62	8.28	3.85	1.83	-3.84	7.93
<b>Comparison Index Return</b>	13.01	20.04	18.26	11.09	8.17	-5.95	-6.78	7.43
<b>Target Rate of Return</b>	10.20	10.20	10.20	10.20	10.20	10.20	10.20	10.20

The chief financial officer provides an annual financial training session for new trustees, that all trustees are invited to attend. Over the past two years, the College's investment consultant also provided investment training to the trustees, which has elevated their understanding of our guidelines, types of investment vehicles, and investment risk to assist the board in making major financial decisions.

### **Fund-Raising Resources**

Although recent efforts to increase alumnae giving are having a positive effect, Cottey receives the majority of its financial support from the P.E.O. Sisterhood, by way of individual and chapter contributions sent

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directly to the College or transmitted through P.E.O. state, provincial, and district treasurers. The College also receives gifts from and through the P.E.O. Foundation, which is the P.E.O. Sisterhood's nonprofit corporation. The P.E.O. Sisterhood precludes Cottey from soliciting its members directly, unless they have been identified as friends of the College through a previous gift.

Rather than making periodic mail or phone appeals to increase giving as do most institutions, Cottey relies on the allegiance of P.E.O.s as the motivating factor behind gifts to support their projects; however, the Institutional Advancement office strives to build on and direct this loyalty in ways that will best sustain the College.

The campaign for the Rubie Burton Academic Center, which ran from 1995 to 1999, proved very successful. In less than five years, the College raised over \$8.9 million for the project through nearly 20,000 gifts and established a technology and equipment endowment that has grown to \$850,000.

Two annual events--Vacation College and Founder's Day Weekend--increase interest in fund-raising projects. Vacation College is a week-long educational institute started in 1985 for alumnae and P.E.O.s, their spouses, and other friends of the College who are interested in knowing more about Cottey. Faculty participate by teaching specially designed courses, dining with participants, and holding a "graduation" banquet. This experience is a fun, yet informative, way to introduce between 80 and 90 participants each year to the facilities, faculty, and programs at Cottey with the goal of gaining their enthusiasm and support for future plans. (See Appendix 7-C for more information on the Vacation College program.) Founder's Day Weekend is an alumnae reunion commemorating the birthday of the College's founder. Approximately 350 alumnae and guests return each year to reunite with their classmates, check on the progress of the College, meet current students, and

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learn more about the fund-raising projects of the Cottey College Alumnae Association. A class agent program implemented in 1995 to better reach alumnae with significant reunions (10, 25, and 50 years) has increased participation in this event, as well as class gifts to the College.

In addition to planning focused fund-raising, the Institutional Advancement office is charged with raising a portion of the College's annual operating budget through unrestricted gift income. This amount has risen from \$250,000 in fiscal year 1992-93 to \$530,000 in 2001-02. Year-end gifts from P.E.O. chapters provide much of that support. The P.E.O. year runs from March 1 to February 28. To better serve donors who inquire directly to the College, the dean of institutional advancement maintains a yearly gift plan that includes prioritized departmental academic equipment needs, student life requests, and named gift opportunities. (See Appendix 7-D for a copy of the 2002-03 plan.)

Another area in which the Office of Institutional Advancement is quite effective is in raising endowed funds. Since the last self-study, P.E.O.s, their family members, alumnae, and other friends of the College have established 91 scholarships, two faculty chairs, seven library funds, six unrestricted, and 41 other endowments that, along with contributions to existing endowments, total more than \$17 million.

Despite its small size, the College has a comprehensive planned giving program. A considerable amount of time is spent responding to donor requests for information about a number of planned giving vehicles, including charitable gift annuities, charitable remainder annuities, and unitrusts.

