Finance 101 for Sustainability Officers

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Finance 101 for Sustainability Coordinators

Speaking the Same Language as Your Business Officer to Advance your ACUPCC Goals

Strengthening Ties for Collective Impact Conference
University of Massachusetts-Amherst
April 10, 2015
Session Objectives

➢ Understanding financial information utilized in making institution-wide decisions

➢ Incorporate financing into CAP creation

➢ Access and awareness of relevant resources to better relationships with Business Officers
Second Nature's mission is to proactively build a sustainable and positive global future through initiating bold commitments, scaling successful actions, and accelerating innovative solutions among leadership networks in higher education.
The American College & University Presidents’ Climate Commitment (ACUPCC) is the flagship program of Second Nature.

- High-visibility effort to address global climate disruption
- Network of +680 Colleges and Universities
- Commitment to eliminate net GHG and embed sustainability in their research and educational efforts

Public reporting on progress towards sustainability is a key driver for long-term success, and regular, public reporting is a central component of the ACUPCC.
Why Understand the Finance?

- Implementation Liaisons (IL) are designated to work directly with Second Nature as sustainability officers or other untitled roles implementing sustainability projects.

- There are a few key ways to bridge this divide
  - Adding finances into your CAP
  - Identifying and understand institution’s Financial Statements and 990 Form
  - Calculating and understanding ROI
  - Learning project strengths and challenges from examples
  - Accessing crucial resources

“I look at the life impact on users, impact and impression of the public, payback analysis, carbon impact, and visibility of the project”

- VP for Campus Operations
“At the end of the day, it’s about the bottom line. If it makes a profit or provides savings within 5 years, then it’s a smart decision.”
Administrative Vice Chancellor Perspective
Financing Your Climate Action Plan

1. Executive Summary
2. Introduction
3. Institution
4. Operations
5. Assessments
6. Conclusion
Financial Statements

- **Balance Sheet**: Snapshot of assets, liabilities and net assets on a particular day.

- **Statement of Cash Flows**: Summary of the sources and uses of cash that reconciles cash at the beginning of the year with cash at the end of the year.

- **Income Statement**: Summary of the revenue and expenses of an institution during an accounting period.
Most organizations exempt from income tax under section 501(c)(3) must file an annual information return. Look for:

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>Level of Endowment</td>
</tr>
<tr>
<td>Loans</td>
<td>Long-term debt</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>Revenues-Expenses/Total Revenues</td>
</tr>
</tbody>
</table>
Calculating Return on Investment (ROI)

ROI is a metric used to measure the rate of return of money invested in a project. It is used as an indicator to compare different projects.  

\[
\text{ROI} = \frac{\text{Net Profit}}{\text{Investment}} \times 100
\]

**Net Profit**: All Revenues - All Expenses  
**Investment**: The amount of money spent on the project (can be actual or projected)
Understanding the ROI

- Projected savings and profit potential **within 5 years**
- For longer projects, significant return over the project lifespan
- **Short-term wins** as well as **Long-term wins**
- For Business Officers, sustainability doesn’t just mean reaching for carbon neutrality, it means:
  - **Minimum expenses**
  - Maintain Endowment
  - **Profits and/or savings**

“With annual savings of $40,000, the Morrisville digester is estimated to have a payback period of about 25 years” - **Morrisville State College** *(Source: colgate.edu)*
The estimated cost of installation is $138,000. An additional $13,800 would be required for annual operation and maintenance.

According to the Center for Climate and Energy Solutions, though installation cost and initial investments remain high, digesters that utilize biogas for energy have shorter payback periods: between three and seven years.

Considering the high initial cost associated with undertaking a project of this nature, information about the payback period is of great importance to all parties involved.

Source: colgate.edu
Second Nature Pilots

GRITS
Green Revolving Investment Tracking System

Confluent
Shared Insights, Clear Direction
GRITS/Confluence

Furman University

University of Tennessee - Knoxville

California State Polytechnic University - Pomona

Adams State University

Lewis and Clark Community College

University of Wisconsin - Oshkosh
Discussion

- Name two ways you have either approached your Business Officer or added financial information into your CAP in the past

- Who else is involved in the decision-making for capital projects and sustainability initiatives?

- How is your institution the same/different from other institutions, in terms of internal financial control and decision-making?

- Report three successful methods for approaching your Business Officer and building in finances into your CAP
Additional Resources

➢ **Sustainability**
  - Harvard Business School Paper: Chief Sustainability Officers: Who Are They and What Do They Do?
    [http://www.hbs.edu/faculty/PublicationFiles/15-011_a2c09edc-e16e-4e86-8f87-5ada6f91d4cb.pdf](http://www.hbs.edu/faculty/PublicationFiles/15-011_a2c09edc-e16e-4e86-8f87-5ada6f91d4cb.pdf)
  - National Association of College and University Business Officers
    [http://www.nacubo.org/Business_and_Policy_Areas/Facilities_and_Environmental_Compliance.html](http://www.nacubo.org/Business_and_Policy_Areas/Facilities_and_Environmental_Compliance.html)
    *Share with Business Officers:*
    [http://www.nacubo.org/Business_and_Policy_Areas/Sustainability.html](http://www.nacubo.org/Business_and_Policy_Areas/Sustainability.html)
    *For Implementation Liaisons to better understand business decisions:*
    [http://www.nacubo.org/Business_and_Policy_Areas/Sustainability.html](http://www.nacubo.org/Business_and_Policy_Areas/Sustainability.html)
  - ACCO- Association of Climate Change Officers

➢ **Climate Action Plan**
  - American College & University Presidents’ Climate Commitment Implementation Guide
    [http://www.presidentsclimatecommitment.org/node/7382](http://www.presidentsclimatecommitment.org/node/7382)

➢ **Accounting**
  - Nonprofit Finance Fund- Nonprofit Finance 101
  - The Prince’s Accounting for Sustainability
    [http://www.accountingforsustainability.org/connected-reporting/connected-reporting-a-how-to-guide](http://www.accountingforsustainability.org/connected-reporting/connected-reporting-a-how-to-guide)
  - Accounting for Sustainability: Practical Insights Study Guide
Questions or Comments