

# Navigating the impact of COVID-19 on higher education

## Colleges and universities have been profoundly affected by the pandemic.

Given the complexity of operations at higher education institutions, it is challenging for leadership to consider the full impact of COVID-19. It is critical at this time to identify both short- and long-term issues impacting colleges and universities, and to define the actions management can take to thoughtfully navigate our current environment.

## Top 8 immediate impacts

The impact to your institution in the spring and summer semesters will be wide-ranging, including:

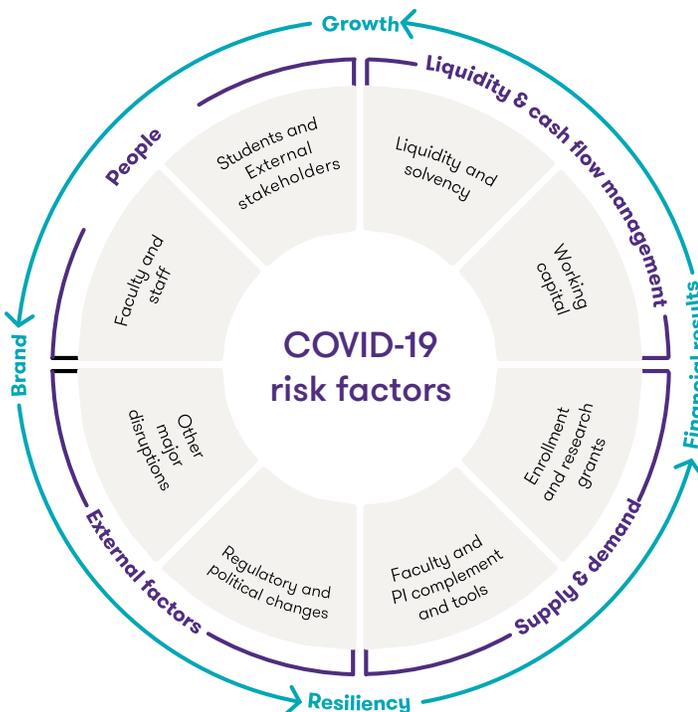
- Immediate loss across a variety of revenue streams (housing, dining, summer tuition, etc.) and reductions in contributions, grants, and governmental funds
- Additional operational complexity and expenses (clearing campus, conversion to online, remote workforce, overseas students); strain on third-party contractual relationships
- Stress and dislocation of workforce
- Loss of research due to suspension of activities
- Portfolio volatility and changes in endowment spending
- Suspended construction efforts, along with use of facilities for public health purposes
- Compromises to financial, operational, and technology controls
- Difficulties in meeting regulatory obligations and deadlines; risk of non-compliance with debt covenants

## Looking at future impact & opportunities

As the COVID-19 pandemic moves with rippling effects to every aspect of society, it will cause potential longer-term implications that need to be addressed in the four impact areas most critically effected: liquidity & cash flow management, people & labor, external factors, and supply & demand.

### Liquidity & cash flow management

- Continued decline in revenues (enrollment, discounting, grants, donations, etc.) in the fall semester and going forward
- Operational complexity and outsized expense structure given new operating norms
- Current financial and operational models no longer reflect reality, limiting ability to manage ongoing business
- Constraints on working capital to provide sufficient solvency and serve ongoing operational needs
- Greater reliance on endowments to provide operational support; shrinking base with greater demands/need
- Inability to demonstrate financial health to external parties and to meet debt covenants



**Resiliency starts with a commitment to identify and mitigate risk factors that can disrupt your institution.**

## Supply & demand

- Overcapacity in teaching, research, and facilities due to projected reduction to core offerings and activities (enrollment, grants, etc.)
- Strain on tools and technology as a result of changes in academic delivery, grant activity, and operations
- Changing student mix and in buying habits and preferences
- Inability to perform research due to material/labor constraints
- New and unanticipated enterprise risks due to changes in business model

## External factors

- Greater interest in mergers/acquisitions
- Competitive pressures to consider alternate models
- Additional compliance requirements associated with government relief programs
- Enhanced complexity of international operations

## People

- Changing personnel expectations, compensation/benefits, and contracts
- Faculty and staff transformation, reductions, and training
- Evolving workforce expectations and culture
- Mental and physical health needs and expenses
- Additional student service requirements
- Modifications to collective bargaining agreements
- Increased stakeholder communications
- Greater board engagement

## What the higher education sector should consider now

### Immediate

- Focus on ensuring access to quality education, adequate student support, and continued research
- Protect the safety and wellbeing of faculty, students, staff
- Develop revised cash flow and other models

## Higher education team



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- Focus on recovery funding assistance (insurance, CARES, Higher Education Emergency Relief Fund, FEMA, etc.); track and document support for recovery funding
- Develop a crisis communication plan for alumni/donors
- Assess potential operational, financial and technology control gaps in light of remote work environment
- Identify constraints to compliance with short term tax, regulatory and financial reporting requirements
- Adjust policies to reflect remote work arrangements

## Long term

- Preserve and manage cash flow; revisit lending terms
- Assess endowment composition, performance and spending; re-evaluate reserve levels and funding strategies
- Consider workforce optimization and transformation, including faculty arrangements
- Revisit strategic and master campus plan; consider strategic revenue enhancement/cost reduction opportunities
- Revise information technology strategy
- Consider mergers/acquisitions, alternative business models
- Update enterprise risk management model
- Assure clear, transparent communications with all constituents
- Reset research priorities and approach
- Modify culture and compensation to meet faculty/staff needs
- Expand mental/physical health and student support services
- Address constituent demands for change (board, unions, foreign governments, etc.)
- Revise business continuity/disaster response plans; develop and document lessons learned
- Resume strategic pre-pandemic initiatives

## We are here to help

Grant Thornton is focused on identifying opportunities for change that will have an immediate impact. As colleges and universities seek to respond and restore in this highly uncertain and constantly changing environment, we provide industry-specific audit, tax and advisory services to help you position for success in the near- and long-term.



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