Assessing Your College's Financial Health

Financial Equilibrium

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Hirtle & Co. At a Glance

About the firm

$27 Billion
in Firmwide Assets Under Management

95%
Client Retention Rate

Headquartered in Philadelphia with offices in
Denver, Houston, Minneapolis, Scottsdale, West Palm Beach

About our clients

~ $5 Billion
Higher Ed Assets

26
Higher Education Clients

19
Council of Independent College Clients

All data is as of 6/30/2026. Client retention rate and mission-driven client count reflect core client relationships with assets of $10 million or more. Hirtle & Co. may accept smaller client relationships based on factors it deems relevant, including the specific circumstances of each client. This list does not represent an endorsement of Hirtle & Co, or the investment advisory services provided by the firm. This list is confidential and proprietary, and any use, reproduction, dissemination or disclosure of the information contained herein is strictly prohibited.

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Goal: Financial Equilibrium…Not Just a Balanced Budget

Financial Equilibrium is a financial model that allows you to fulfill your mission without depleting the resources needed to sustain your mission in perpetuity.

To achieve Financial Equilibrium the following statements must be true:

1. Operating revenues are greater than operating expenses – budget surplus!
2. Budgets contain the resources necessary to fulfill your mission properly:
   - Faculty and staff salary levels are appropriate
   - Technology spending is sufficient
   - Academic program is suitably funded
3. Endowment spending rate and investment strategy are sufficient to maintain intergenerational equity
4. Reinvestment in the physical plant is sufficient to preserve their useful life

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Budget Results

It is critical for mission-oriented organizations to have flexibility (budget contingency).

Serves as a cushion in the event of a decline in revenue or unexpected cost increases

Allows you to make strategic investments in programs or facilities that are essential to further your mission

Enables you to spend more time on strategic issues rather than minor funding issues

Aiming for breakeven results does not allow for the breathing room necessary for when things do not go according to plan.

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Deferred Maintenance is a Hidden Liability

Deferred maintenance is the largest unfunded obligation

- The national picture: APPA estimates the U.S. higher education deferred maintenance backlog at $100–$197 billion, compounding at 6–8% annually
- Recent benchmarking shows an average backlog of about $140–$156 per gross square foot, a record high and still rising year over year.
- More than 60% of institutions fund 25% or less of identified maintenance needs in a given year, allowing the backlog to grow.

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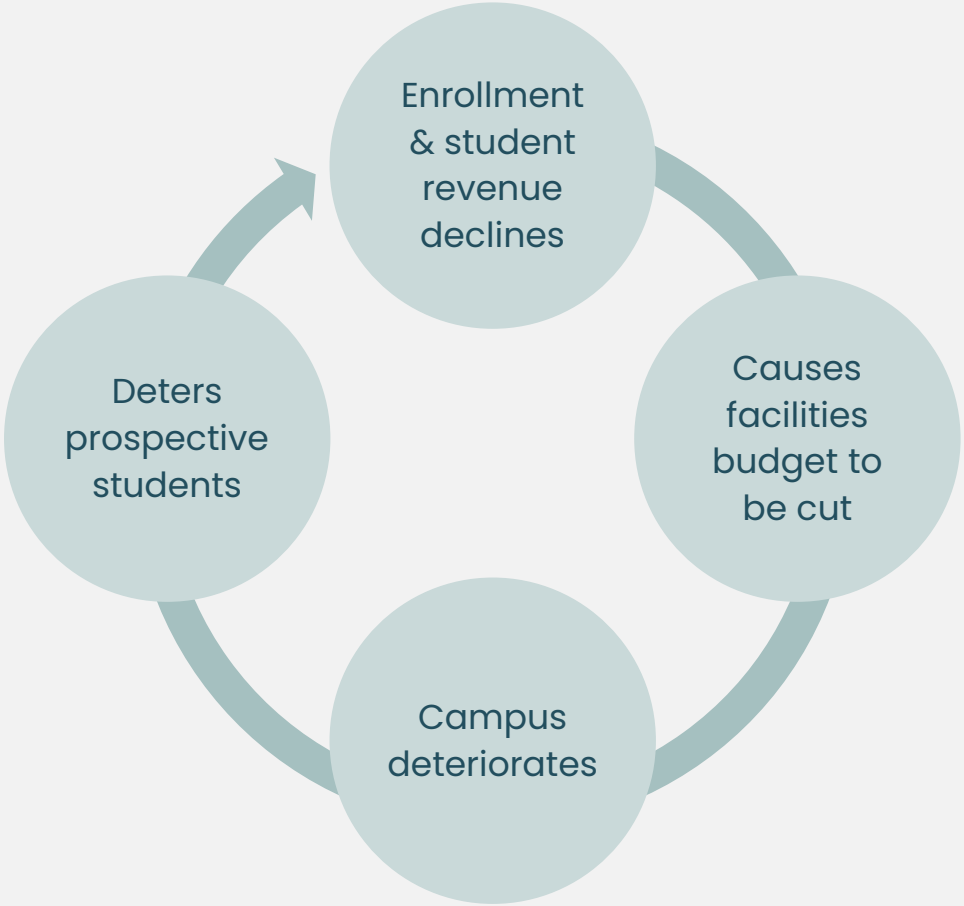
Quality of Physical Facility

To preserve the college's future, capital assets cannot deteriorate.

- **Is the reinvestment in the physical facility sufficient to preserve its useful life?**
- **How much is annually budgeted to repair and renovate annually?**
- **Are you fully funding depreciation?**
  - Do you have an accurate deferred maintenance estimate?
  - Do you have adequate funding sources for a long-term capital plan?
    - Operating Budget
    - Gifts/Grants
    - Debt - getting harder to get

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Relationship between facilities condition and enrollment



65% of students say campus facilities influenced their decision to enroll.

1. Academic Reputation
2. Financial Aid
3. Facilities

Deferred maintenance doesn't just correlate with enrollment problems — it actively causes them.

A campus whose facilities score moves from 70 to 85 on a standard condition index can expect measurable yield improvement within two to three admissions cycles.

That yield improvement translates directly to tuition revenue; typically dwarfs the cost of the maintenance

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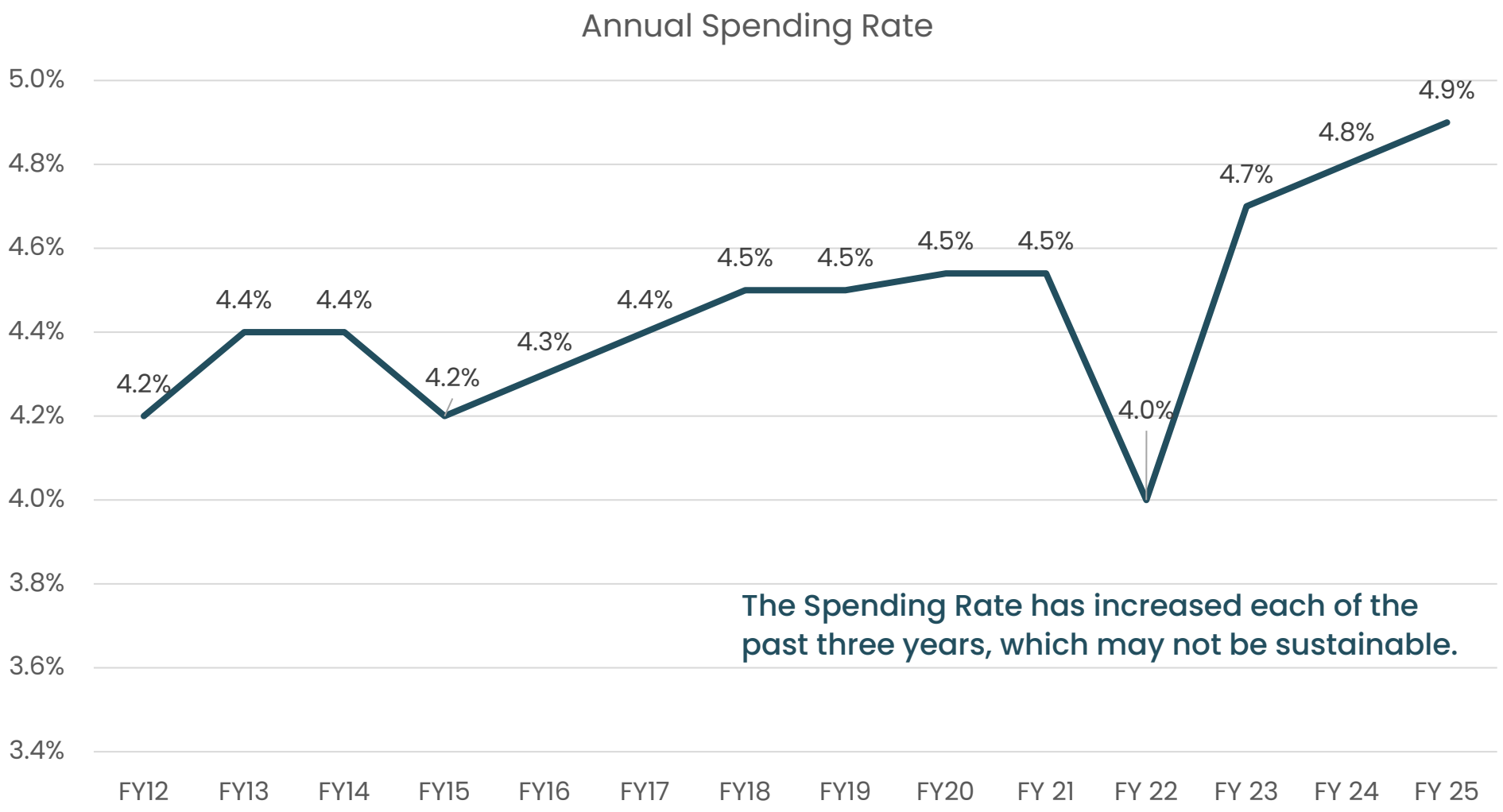
Endowment is not a piggy bank

Endowments are meant to last forever.
Overspending them creates real problems.

- **Intergenerational equity & erosion of principal**
  An endowment is meant to support the institution not just now, but for future generations too. If you spend too much today, you're effectively taking money from future students, patients, or beneficiaries to benefit people right now.
- **Budget support**
  If you withdraw more than the fund earns after inflation, you eat into the principal. Once that shrinks, the endowment produces less income going forward, creating a downward spiral.
- **Legal and donor restrictions**
  Many endowment funds come with legal restrictions (donor-imposed). Overspending can violate these terms, create legal liability, or damage trust with future donors.
- **Loss of financial flexibility**
  A healthy endowment acts as a buffer during financial stress (recessions, enrollment drops, funding cuts). Draining it removes that safety net exactly when it's most needed.

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How Much are You Spending?



Source: NACUBO FY 2025 Report.

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Conclusion: Are You in Financial Equilibrium?

Organizations in financial equilibrium can answer "yes" to most of these questions:

- Recurring operating revenues cover recurring operating expenses.
- Revenue growth is keeping pace with—or exceeding—expense growth.
- Programs are funded at a level to assure mission success
- Salaries are competitive enough to attract and retain talented employees.
- Deferred maintenance is not growing.
- Technology investments keep pace with organizational needs.
- Fundraising capacity is sufficient to support future growth.
- Endowment spending preserves purchasing power over time.
- The organization is investing in innovation rather than simply maintaining current operations.

IF SEVERAL OF THESE STATEMENTS ARE NOT TRUE, YOUR ORGANIZATION MAY BE BALANCING ITS BUDGET WITHOUT ACHIEVING FINANCIAL EQUILIBRIUM.

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Link to white papers



Financial Equilibrium

Balancing Your Mission and Resources



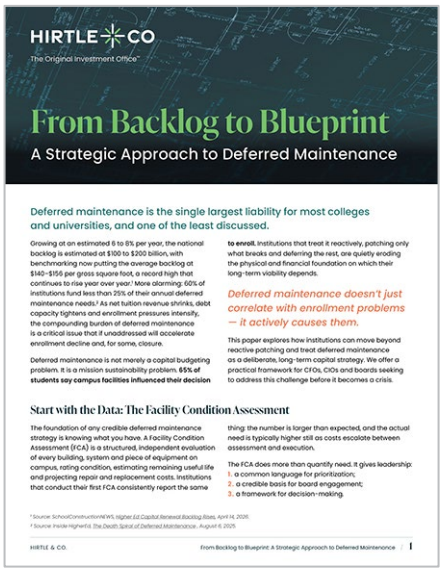
Beyond a Balanced Budget

Why Nonprofits Need an Operating Cushion



Strengthening the Mission

Endowment Planning for 2026 and Beyond



From Backlog to Blueprint

A Strategic Approach to Deferred Maintenance

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