

BDIA



Overview

We recognize that university and college Presidents, Finance Officers, and Governing Boards face challenges. Dual responsibilities of improving the student experience while working to enhance the school's balance sheet may often seem at odds with one another. Since your school's financial solvency directly affects its success and the legacy that's left behind, it may be worthwhile to consider implementing a proactive approach that puts the true value of your dollars to work.

The following story illustrates a Finance Officer's approach to optimizing her school's use of cash.

Looking for ways to improve her school's operating budget, the Finance Officer of a local university solicited a cash flow analysis from a reputable firm with decades of public service, private business, and banking experience.



Cash Flow Analysis

The Finance Officer provided 12 months of banking activity for an initial analysis that examined the treasury services the university used, as well as the trends impacting the school's cash flows. She felt that the preliminary findings were enough to warrant a full report.

So, the evaluation continued. Receipts and disbursements were examined, employees were interviewed, and back office processes were analyzed. Funds were segmented by use and duration to determine how to best maximize the value of the university's cash and deposits.

Assets set aside for program expenses were deemed to be best kept as bank deposits. Those earmarked as reserves for "rainy day" needs were viewed as money that could be invested in a highly liquid, professionally managed, customized fixed income account - Manning & Napier's Bank Deposit Investment Account (BDIA) - given the amount of cash already in the bank. Treasury services had some operational gaps that, if addressed, could maximize the collection and disbursement of cash.

These recommendations were custom tailored to better align the use of treasury services with the university's processes and maximize income on cash through the BDIA. Recommendations that, if implemented, would derive the university around \$280,000 in the first year and more than \$3 million over ten years*.



Implementation

Now armed with a plan, the Finance Officer is working on getting the appropriate approvals so she can move forward with applying the recommendations that were made.



Results

The Finance Officer was provided with reasons to be confident in how the university's cash flows could be better managed, which are affecting deposit and investment decisions for the better.

Not only could the school see an improvement in the cost and use of bank services, but it has the potential to earn an enhanced return through the BDIA managed by Manning & Napier, getting it closer to making improvements to enhance the student experience with less reliance on debt.

This example is provided for illustrative purposes only and does not guarantee results. All investment strategies involve risks and there is no guarantee of a profit, or protection against a loss.

*Values are based on \$50 million dollars and an estimated net effective yield of 0.48%, both of which will change over time. Year one also includes rebates on treasury services totaling \$40,000.

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Give Us a Call

If you are interested in optimizing your cash management strategy, please contact us at (800) 551-0224.