

FINANCIAL AREA SUMMARY

Budget to Actual Variance Style Guide

The financial area summary provides additional detail of the activity reported on the following pages, including a discussion of actual to budget variances.

All Areas

The following apply to all areas in their variance explanations

General format

- Order variances from largest to smallest, based on absolute value
- Report dollars in millions, including dollar sign; negative variance totals shown in parentheses
- Include “million” in initial variance amount, subsequent amounts, highlighting components of total variance, to use “M” suffix
- Following the variance amount, highlight impacted Income Statement line, with initial capitalization of the first word, followed by lower case text for the balance of the account name
- If there is no total Revenue or Expense variance, write “*Consistent with budget*” even if there is no related budget

Variance explanations

- Be concise and clear in variance descriptions, including the “why” behind the variance
- Focus on salient, material variances; level of granularity in each variance is dependent on the area (e.g., Business Services may include a bullet point per auxiliary)
- Use active voice, if possible
- Show equal corresponding offset amounts where there is an impact due to mapping between revenue and expense
- Avoid budget variances related to intracompany allocations (e.g., ASF)
- Avoid budget variances that solely refer to timing; rather, provide details on the underlying cause, whether it be inaccuracy in budget spreads or recognition in subsequent periods
- Acknowledge budget variances related to errors, especially pertaining to accruals / deferrals and other GAAP accounting fundamentals, e.g. balances in clearing accounts, while providing plan for resolution in subsequent periods
- Define acronyms (e.g., VBI) for first usage; use acronyms following initial definition
- Do not include periods as punctuation; leverage semi-colons to split topics
- Include corresponding expense impact where there is an impact on VUMC revenues associated with delivering services; if there is no expense impact, state clearly

Example:

- **\$ 0.3 million, Contributions, driven by unbudgeted bequests (\$0.8M), offset by lower-than-budgeted gifts (\$0.5M)**

Schools & Provost

The following apply to academic areas in their variance explanations

Variance explanations

- Include budgeted enrollment assumption vs actual for student count-related variances such as tuition or housing (e.g., 125 actual vs. 133 budgeted)
- Highlight potential expense impact for contract & grant variances (e.g., if grant revenues are unfavorable to budget, highlight expense reduction as a result)
- Include budgeted faculty headcount assumptions for faculty-related variances such as faculty start-ups
- For Vice Provost areas, detail the impacted area as well as the primary driver of the variance

Example:

- **\$ 0.5 million, Supplies, services and other, due to lower-than-budgeted new faculty (5 new faculty vs. 10 new faculty) driven by recruitment taking longer than expected**
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Administration &
Auxiliaries

*The following apply to
administrative/auxiliary
areas in their variance
explanations*

Variance explanations

- Highlight drivers and assumptions behind variance (e.g., utility costs efficiencies in Facilities, vacancies in Real Estate, and meal plans in Dining)
- Capture Fringe separately from activity related to HR operations

Example:

- **\$ 2.5 million, Natural gas, unit cost per cubic feet (ccf) decreased 17% from budget due to hedging strategy, favorable natural gas costs, and unanticipated downtime for turbine repairs; increased electrical consumption due to turbine malfunction offset by increased energy efficiency at Engineering & Science Building (ESB) vs. budget and unit cost per kilowatt hour (kWh) decreased 3% from budget**
 - **\$ (0.4) million, rental revenues for VURE due to vacancy in the residential portfolio, including corporate unit vacancies at Village at Vanderbilt**
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