

Financial Reporting to the Long-Term Providers of Intellectual Capital at a State University

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ABSTRACT

GASB's strategy not to "re-invent the wheel" in its continuous effort to improve financial reporting by state universities is appropriate for the currently identified users. But, what about the key stakeholders who have traditionally been ignored by the neoclassical model? Our paper attempts to contribute to the literature by suggesting an enlargement to the conceptual framework, through the use of a social accounting report for state universities.

The scope of financial reporting by state universities should be expanded. We contend that the traditional short-term, overall balanced-budget focus, while important, should be more inclusive. Our suggestion is to implement a stakeholder model by supplementing the currently required financial statements with a value-added statement. A value-added statement is a better report format for effectively communicating with the valuable long-term providers of intellectual capital (i.e., faculty members) and creating an important awareness about the entity's future survival and growth. Faculty members with lifetime contracts and those in pursuit of tenure have a vested interest in ensuring that the university maintains its financial capital.

This paper reformats actual financial data to illustrate a value-added statement (VAS) for Indiana University of Pennsylvania. The VAS format communicates the *allocation of finite resources to stakeholders*. This report facilitates an enhanced focus on a university's *financial capital maintenance* policy. Some suggested uses of VAS-related data are discussed and illustrated. The addition of a value-added statement would complement the current funds statement of revenues, expenditures, and changes in fund balances.