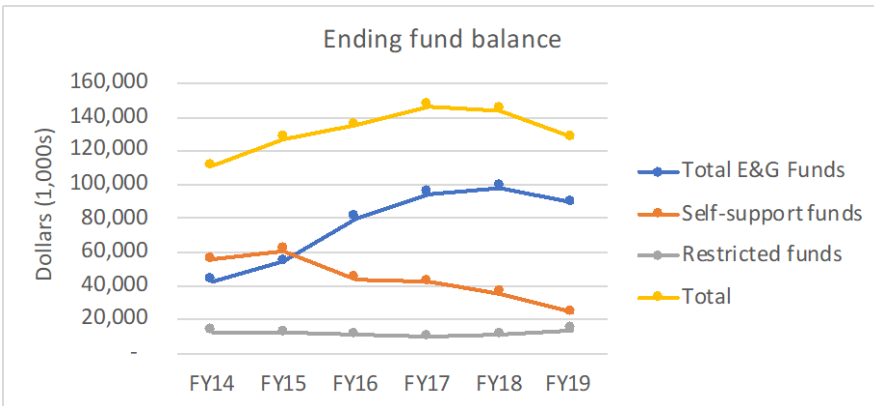


Most units think about their fund balance in managing their budgets. Fund balance as used at the university, (for E&G units) is essentially the cash on hand at the end of each fiscal year from the previous year’s balance plus any operating surplus or less any operating deficit (fund balance is really more correctly called unrestricted net assets). You might view it as the ending balance in a bank account. The university as a whole tracks fund balances in a variety of funds but also reports an annual (audited) financial statement. The financial statement<sup>1</sup> includes not just cash balances but looks at all of the assets and liabilities of the university. You might think of it as the value of that bank account, plus the net value of your house, plus the cash value of life insurance, less the car loan and credit card debt, etc. The financial statements have lots of pieces and it can be hard to see how annual changes map into the university’s “net position”---the net value of all of the resources, including bond sales, reported in the financial statement.

**Fund Balances**

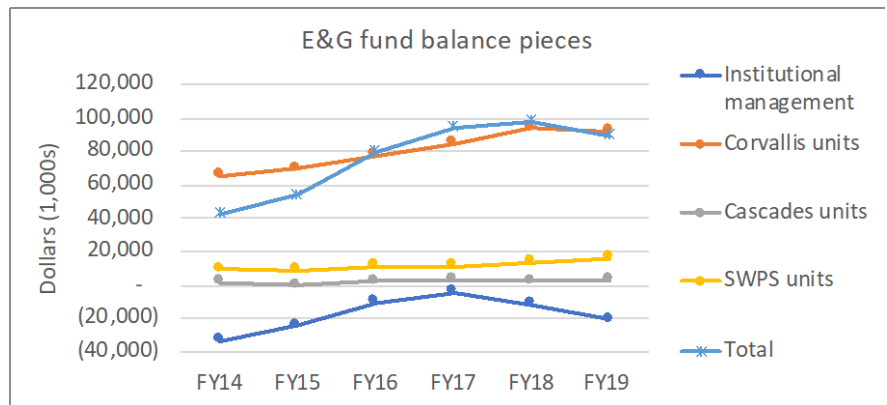
The university makes quarterly and year-end reports of operations in the major funds (Education and General, Self-Support, and Restricted). This includes expenses and revenues by major categories and unrestricted net assets. The chart at the left shows the ending operating balances for those three major funds over the last few years. Self-



support balances have declined as Intercollegiate Athletics operated in the red and University Housing and Dining made some major renovations to their facilities. Athletics is nearing a balanced budget through their work on the financial sustainability plan so we expect self-support fund balances to begin to increase modestly in the next few years. Fund balance in restricted funds is always low, as the expectation is that those funds come in for a specified purpose and are spent for that purpose (or we are reimbursed for

those expenses) relatively quickly. Growth of Education and General fund balance has slowed as enrollments have softened and declined in FY19. The University tries to keep the equivalent of 10-15% of operating revenues in fund balance (or unrestricted net assets) as a buffer for unforeseen circumstances.

The Education and General fund balance includes amounts for Cascades, Corvallis, and the Statewide Public Services. The chart at the right shows the trends in those balances, with Corvallis split into the Institutional Management fund (central accounts used for a variety of University-wide operating functions) and funds held by individual units. Most of the fund balance is out in units (about 60% of it in academic units). The Institutional Management



accounts (dark blue line) have been negative for some years. That deficit was near zero in FY17 but has increased over the last two years as funds were pushed out to support units and revenues lagged projections. One of the challenges over the next few years is to get that Institutional Management balance back to zero.

<sup>1</sup> The audited financial statements are available at <https://fa.oregonstate.edu/annual-financial-reports-audited>

**Financial Statements**

So total operating balances in FY19 ended at \$127.5M, a reduction of about \$16.5M from FY18. How do those balances fit into the financial statements?

Change in net position (p. 22 in \$1,000s)		
	FY19	FY18
Operating revenues	837,939	808,609
Operating expenses	1,213,422	1,170,603
Nonoperating revenues (expenses)*	333,988	293,686
Change before other revenues	(41,495)	(68,308)
Other revenues		
Debt service appropriations	1,073	1,073
Capital gifts and grants	75,453	50,279
Endowment changes	(563)	824
Change in net position	34,468	(16,132)

\* Government appropriations, financial aid, gifts, interest expense

The University's change in net position is shown on p. 22 of the financial statements and shown to the left. This looks at total revenues, total expenses, "non-operating revenues" (these are resources not earned in the typical course of business such as appropriations, grants, gifts, investment change, and interest) and "other revenues" (mostly gifts and grants from the state for building projects). You can see that net operations (Revenues minus Expenses) lost about \$41M but the net position of the University increased by \$34.5M. However, that increase was because of the capital gifts and grants that are restricted in use.

Another way to look at the University's net position is by the balance sheet---how many assets or liabilities are in different categories. The table at the right summarizes the statement of net position from p. 20 of the financial statements. Most of the reported net position comes from the value of the capital assets (land, buildings, etc.) and in restricted amounts held from gifts, loans, etc. The unrestricted line is where most of the fund balances discussed above sit. But why then is the total negative when the ending balance was over \$120M? The answer is that the line includes operating balances but also other liabilities and assets. The table in the lower left shows the components of the unrestricted line.

Total Net Position (p. 20, in \$1,000s)		
	FY19	FY18
Net investment in capital assets	787,485	711,200
Restricted for:		
Non-expendable Endowments	5,396	5,960
Expendable		
Gifts, Grants and Contracts	45,042	49,698
Student Loan	9,749	10,091
Capital Projects	5,533	5,963
Debt Service	3,508	1,996
OPEB Asset	2,626	1,027
Unrestricted	(99,661)	(60,725)
Total Net Position	759,678	725,210

Unrestricted net position (in \$1,000s)	
	FY19
University Operations	
E&G, Self support fund balance	113,762
Compensated absence, capital net adjustments	27,377
Quasi Endowment	8,978
Capital renewal and replacement balance	5,935
Retirement of debt funds	3,119
Net all others, mostly bond proceeds	33,298
Net Pension Liability	(219,289)
Leave Liability	(26,180)
State/local Pooled Liability*	(25,857)
Other Post-employment Liability	(17,611)
Net Asset Retirement Liability	(3,193)
Total	(99,661)

\*part of pension liability

The University Operations line is where the operating balances are recognized. That line includes education and general fund balances and self-support fund balances, as well as adjustments to recognize balances for compensated absence liability, unspent bond proceeds, capital renewal funds not yet spent on projects, and funds for retirement of debt service. The rest of the unrestricted positions includes the various liabilities including pension liability (there are a couple of pieces to this), vacation and other leave liabilities, and liabilities for other kinds of post-employment costs.