Fiscal Status of Intercollegiate Athletics
as of June 30, 2003

October 17, 2003
Background

- Fund deficits reported by OSU, PSU, and UO Athletics in 1992
- In May 1992, OUS Board directed elimination of deficits
- Both PSU and UO Athletics cleared their deficits in prior years
- FY 2003 Fiscal Status Report is provided to monitor progress and continued compliance
Change in Accounting Principle

- Old basis for evaluation was Fund Balance
- New accounting standards facilitate a more comprehensive view
- Addition of capital assets and long-term debt
- Move to more traditional liquidity measure – Working Capital
Institution Specific Analysis
Oregon State University

- Made initial reductions in deficit in fiscal years 1993 & 1994
- Deficit began to increase in FY 1995
- Deficit totaled <$8.3 million> at FY 1998
- Deficit reduced to <$6.0 million> in FY 1999
- Last fund deficit reported prior to complete implementation of accounting change was <$4.7 million> in FY 2002
Implementation of GASB 35 in 2002 prompted change to Working Capital view

Working Capital deficit was <$5.9 million> at FY 2002

Board approved working capital deficit reduction targets in July 2003

Reduction target for FY 2003 was $1 million for working capital deficit of <$4.9 million> at end of year
OSU Athletics did not meet its reduction target

Net improvement to working capital totaled $124,000

Working capital deficit ~ <$5.8 million> at end-of-year
Oregon State University (cont.)

- Cash remains over-drafted by ~ $1.4 million
- OSU Athletics continues to face severe liquidity problems
IAD conducted an audit of OSU Athletics

Results of audit indicated controls over budget monitoring and expense processes could be improved

OSU management has concurred with IAD observations

Implementation of these improvements should assist OSU Athletics in meeting future targets
Portland State University

- Working capital surplus ~ $65,000 which represents 1% of annual expenses
- Cash balances are over-drafted by ~ $400,000
- PSU Athletics faces a liquidity problem throughout the year
- PSU Athletics should work to improve cash balances to a positive amount
PSU Athletics ended the fiscal year with positive working capital and net operating income.

PSU Athletics is in compliance with the Board’s directives relating to deficits.
University of Oregon

- Working capital surplus ~ $775,000 which represents 2% of annual expenses
- Cash balances total $6.5 million
- UO Athletics ended the fiscal year with positive working capital and net operating income
- UO Athletics is in compliance with the Board’s directives relating to deficits
Conclusion

- OSU Athletics improved its working capital position by ~ $100,000, but did not meet its $1 million improvement target.
- OSU management will make improvements to budget monitoring and expense processes in response to IAD audit.
- Implementation of IAD recommendations should assist OSU Athletics in meeting future fiscal targets.
PSU Athletics needs to work to eliminate its cash overdraft at fiscal year-end.

Both PSU and UO are in compliance with Board policies regarding deficits, after application of institution funds.
Staff Recommendation

- Staff recommends that the Board accept the report on the fiscal status of intercollegiate athletics as of June 30, 2003