

UNIVERSITY OF UTAH

Intercollegiate Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2013

Report No. 13-43



OFFICE OF THE
UTAH STATE AUDITOR

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AUDIT LEADERSHIP:

Hollie Andrus, CPA, Audit Director
Jason Allen, CPA, Audit Supervisor



OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee,
and
David W. Pershing, President
University of Utah

We have performed the procedures enumerated below, which were agreed to by the University of Utah's (University) management, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (the Statement) of the University's Intercollegiate Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Constitution 3.2.4.16 for the year ended June 30, 2013. The University's management is responsible for the Statement and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

INTERNAL CONTROL – AGREED-UPON PROCEDURES

1. We reviewed the general control environment for the Intercollegiate Athletic Department. As part of this review, we reviewed the organization of the Intercollegiate Athletic Department. We made certain inquiries of management regarding control consciousness, competence of personnel, adequate safeguarding and control of records and assets, the extent of the Internal Audit Department's involvement with athletics, and the controls over interactions with the Information Technology Department.

We also tested the specific elements of the control environment and accounting systems that are unique to the Intercollegiate Athletic Department that have not been addressed in connection with the audit of the University's financial statements. This included testing samples of transactions for compliance with internal control policies for the Ticket Office cash receipts, Business Office cash receipts, payroll transactions and non-payroll transactions. Our sample sizes were limited to 20 items or 10% of the population, whichever was smaller. We found no exceptions as a result of these procedures.

2. We reviewed and tested the University's procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Intercollegiate Athletic Department. The only booster group activity is the Crimson Club, which is included under the accounting control of the University.

STATEMENT OF REVENUES AND EXPENSES – AGREED-UPON PROCEDURES

3. We obtained the Intercollegiate Athletic Department's Statement of Revenues and Expenses (the Statement) for the year ended June 30, 2013, as prepared by management and as presented in Exhibit I. We agreed the revenues and expenses on the Statement to the University's general ledger and

supporting schedules, as applicable. We ensured that the amounts were reported in accordance with the NCAA Guidelines and generally accepted accounting principles. We found no exceptions as a result of these procedures.

4. We compared and agreed samples of revenue receipts and expenses to adequate supporting documentation. We found no exceptions as a result of the comparisons.
5. We compared each major revenue and expense account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variances (greater than \$90,000 and 33%). There were no significant variances which were unexplained.
6. We performed the following procedures related to the University's Intercollegiate Athletic Department revenues and recalculated the totals for each category:
 - a. *Ticket Sales*
 - We compared tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the Statement and to the related attendance figures.
 - b. *Student Fees*
 - We obtained and documented an understanding of the University's methodology for allocating student fees to the Intercollegiate Athletic Department.
 - We compared and agreed student fees reported by the University in the Statement to student enrollments for reasonableness.
 - c. *Direct Institutional Support*
 - We compared the direct institutional support recorded by the University with state appropriations, institutional authorizations, and/or other corroborative supporting documentation.

We found no exceptions as a result of these procedures.

7. We performed the following procedures related to the University's Intercollegiate Athletic Department expenses, and recalculated the totals for each category:
 - a. *Athletic Student Aid*
 - We selected a sample of 10 of students from the listing of institutional student aid recipients, two each from football, men's basketball, women's basketball, gymnastics, and other sports (combined).
 - We obtained individual student account detail for each selection and compared total aid from the related aid award letter to the student's account.
 - b. *Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities*
 - We obtained and inspected a listing of coaches employed by the University and related entities.
 - We selected a sample of 3 coaches' contracts that included football and men's and women's basketball.
 - We compared and agreed the financial terms and conditions of each contract selected to the related coaching salary, benefits, and bonuses recorded by the University and related entities in the Statement.
 - We obtained and inspected W-2s, 1099s, etc. for each selection.

- We compared and agreed the W-2s, 1099s, etc. to the related coaching salaries, benefits, and bonuses paid by the University and related entities expenses as recorded by the University in the Statement.
- c. *Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities*
- We selected a sample of 5% of full-time support staff/administrative personnel employed by the University and related entities.
 - We obtained and inspected W-2s, 1099s, etc. for each selection.
 - We compared and agreed related W-2s, 1099s, etc. to the related support staff/administrative salaries, benefits, and bonuses paid by the University and related entities expenses as recorded by the University in the Statement.
- d. *Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by a Third Party*
- Based on inquiry of University management, there were no salaries, benefits, and bonuses paid by a third party to support or administrative staff. As such, we did not select a sample or perform testwork in this area.
- e. *Spirit Groups / Memberships & Dues*
- We compared and agreed the expense categories to supporting schedules.
 - We selected a sample of 5 transactions from each of the two statement expense line items and agreed to supporting documentation.

We found no exceptions as a result of these procedures.

8. We reviewed the footnotes to the Statement and found them to be proper and in compliance with NCAA guidelines.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenues and Expenses of the University. Accordingly, we do not express any such opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, and Administration of the University and authorized representatives of the NCAA and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public document and its distribution is not limited.

Office of the Utah State Auditor

Office of the Utah State Auditor
January 9, 2014



UNIVERSITY OF UTAH
INTERCOLLEGIATE ATHLETIC DEPARTMENT

STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Football	Men's Basketball	Women's Basketball	Gymnastics	Other Sports (Note 1)	Non-Sport Specific (Note 1)	Total
REVENUES:							
Ticket Sales (Note 2)	\$ 9,904,803	\$ 1,671,207	\$ 29,027	\$ 404,806	\$ 29,223	\$ 60	\$ 12,039,126
Student Fees	-	-	-	-	-	6,055,156	6,055,156
Guarantees	-	-	-	-	20,837	-	20,837
Contributions (Note 3)	5,996,916	1,183,201	14,153	47,433	195,041	20,780	7,457,524
Compensation and Benefits by 3rd Party	275,000	-	-	-	-	-	275,000
Direct State or Other Gov't Support	-	-	-	-	-	-	-
Direct Institutional Support (Note 4)	1,569,672	110,110	97,878	170,790	805,934	1,429,959	4,184,343
Indirect Facilities and Admin Support	-	-	-	-	-	-	-
NCAA/Pac-12 Distributions (Note 5)	7,590,601	1,914,374	-	-	1,200	885,633	10,391,808
E-commerce/Broadcast Rights	-	-	-	-	-	55,149	55,149
Concession and Novelties (Note 6)	1,158,381	205,904	21,668	86,447	16,346	108,920	1,597,666
Licensing and Sponsorships (Note 7)	2,852,077	499,778	-	-	-	-	3,351,855
Sports Camps	167,316	103,578	108,779	41,919	239,070	-	660,662
Endowment and Investment Income	-	-	24	-	41	158,299	158,364
Other Operating Revenue	-	-	2,314	(69)	42,267	563,278	607,790
Total Revenues	29,514,766	5,688,152	273,843	751,326	1,349,959	9,277,234	46,855,280
EXPENSES:							
Financial Aid (Note 4)	2,432,331	463,774	471,522	510,615	3,641,415	514,612	8,034,269
Guarantees	550,000	445,906	97,500	-	8,389	-	1,101,795
Salaries and Benefits	5,548,936	1,953,597	712,738	653,422	2,317,820	7,780,876	18,967,389
Severance Payments	-	425,666	-	-	-	-	425,666
Recruiting	532,314	210,144	109,128	63,749	268,715	-	1,184,050
Team Travel	1,347,172	479,698	602,995	182,763	1,726,019	25,863	4,364,510
Uniforms and Equipment	893,791	192,647	15,195	75,231	447,159	1,251,426	2,875,449
Game Operations (Note 8)	774,547	400,023	151,323	90,607	183,904	82,633	1,683,037
Marketing and Promotion	543,552	265,643	16,158	87,488	85,515	737,545	1,735,901
Sports Camps	73,896	73,028	70,892	39,315	64,171	-	321,302
Direct Facilities, Maintenance, and Rental (Note 9)	1,392,701	20,280	29,663	3,642	164,467	301,058	1,911,811
Spirit Groups	-	-	-	-	-	71,423	71,423
Indirect Facilities and Admin Support	-	-	-	-	-	-	-
Medical Expenses and Insurance	397,246	89,157	34,919	38,398	345,191	-	904,911
Memberships and Dues	2,715	3,380	1,420	709	16,003	58,303	82,530
Other Operating Expenses (Note 10)	1,078,549	289,745	160,212	79,564	281,322	3,451,206	5,340,598
Total Expenses	15,567,750	5,312,688	2,473,665	1,825,503	9,550,090	14,274,945	49,004,641
Excess (Deficit) Revenues over Expenses	13,947,016	375,464	(2,199,822)	(1,074,177)	(8,200,131)	(4,997,711)	(2,149,361)
Transfers, Net In/(Out) (Note 11)	(66,087)	-	-	200,000	(15,200)	(2,178,592)	(2,059,879)
Change in Net Position	\$ 13,880,929	\$ 375,464	\$ (2,199,822)	\$ (874,177)	\$ (8,215,331)	\$ (7,176,303)	\$ (4,209,240)

The accompanying notes are an integral part of this financial statement.

UNIVERSITY OF UTAH
INTERCOLLEGIATE ATHLETIC DEPARTMENT

NOTES TO STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Statement of Revenues and Expenses (Statement) has been prepared on the accrual basis of accounting, with the exception of Direct Institutional Support revenues and Financial Aid expenses which have not been reduced for scholarship allowances of \$1,959,383. The Statement presents the results of financial activity of the University of Utah (University) Intercollegiate Athletic Department (Athletic Department), which includes the George S. Eccles Tennis Facility. The financial activity of the Athletic Department's endowment and fixed assets, in accordance with NCAA reporting guidelines, is not included in the Statement. In addition, the financial activity of the Huntsman Center and Rice-Eccles Stadium is not included in the financial statement because they are not under the jurisdiction of the Athletic Department. The significant accounting policies followed are described below.

Sports Accounting

Because of the significant revenues and expenses generated by football, men's basketball, women's basketball, and gymnastics, they are reported separately. Other sports in which the University participates are combined and reported as "Other Sports." The administrative functions of the Athletic Department and activities, which provide support for all sports, have been combined for reporting purposes under the caption "Non-Sport Specific." These supportive activities include costs such as those related to weight and training rooms, academic advising, marketing, compliance, information technology, sports information, media relations, etc.

Revenue Allocation

Sales and services revenues have been allocated to the activity generating the income. All revenues – student activity fees, contributions, conference distributions, national broadcast revenue, e-commerce, investment income, direct institutional support, etc. – have been allocated based on the Athletic Department's management decisions and categorized as instructed by the NCAA's revenue and expense policies and procedures.

Expenditure Allocation

Generally, expenses have been allocated to the activity incurring the expense. The majority of the advertising/promotions, facility rentals, memberships, insurance, and general and administrative expenditures were charged to "Non-Sport Specific."

Additional Significant Accounting Policies

Other significant accounting policies are set forth in the following notes.

2. TICKET SALES

Football ticket revenue includes \$615,139 generated from the sale of the Rice-Eccles Stadium suites.

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NOTES TO STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

3. CONTRIBUTIONS

Donations are used to subsidize student athlete scholarships, facility upgrades, and academic support. Donations received are posted to Crimson Club, Athletic Development accounts, and Scholarship Circle development accounts. Donation money is transferred from the development account into the Crimson Club operating account to cover the costs of scholarships.

For fiscal year 2013, 85% of all donations deposited to the Crimson Club accounts were allocated to football and 15% were allocated to men's basketball. All sport specific donations are allocated accordingly.

4. DIRECT INSTITUTIONAL SUPPORT

Direct Institutional Support includes Facility, General and Administrative, and Title IX support. The Athletic Department receives state funds as tuition waivers such as: Title 53, special, and continuing scholarships. These waivers of \$1,959,383 are included as revenue under Direct Institutional Support and subsequently expensed under Financial Aid.

5. NCAA AND CONFERENCE DISTRIBUTIONS

The Athletic Department received a net distribution of \$7,583,048 from the Pac-12 conference on June 30, 2013. The distribution represents a 50% share of conference revenues less conference operating expenses, championship expenses, NCAA basketball expenses, officials payments and other miscellaneous items. The University also booked and accrued a receivable in the amount of \$652,000. Broadcast rights were allocated 85% to football and 15% to men's basketball.

6. CONCESSION AND NOVELTIES

All non-University concession revenue was allocated to "Non-Sport Specific." Vendors are required to pay 35% commission on all food items and 80% on all beverages sold at University athletic events.

7. LICENSING AND SPONSORSHIPS

The University Campus Store handles all merchandise sales at regular season home football and basketball games. The Athletic Department handles merchandise sales at away games. Licensing and University Campus Store merchandise sales are allocated 85% to football and 15% to men's basketball.

Per contract, Utah Sports Property (USP) retains all rights to local media and corporate sponsorships for University of Utah athletics. The financial agreement to obtain these rights for fiscal year 2013 was a guaranteed payment of \$1,318,217. After meeting an agreed upon threshold, the remaining

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NOTES TO STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

generated revenue was split between University of Utah athletics (70%) and USP (30%). The athletics portion of additional revenue totaled \$839,143. The combined guaranteed payment and additional revenue payment was allocated 85% to football and 15% to men's basketball.

Under Armour is the exclusive outfitter of University of Utah Athletics. Per their agreement, they paid the Athletic Department \$275,000 and the head football coach \$275,000.

8. GAME OPERATIONS

Game Operations includes the cost of officials expensed through the conference office as a deduction from the University's year-end revenues. The total for fiscal year 2013 was \$514,170.

9. FACILITY RENT AND DEBT SERVICE

The Athletic Department paid \$1,327,865 in facility rent and fees for use of the stadium and its suites during fiscal year 2013.

The Athletic Department has assumed the annual bond payment for the Spence & Cleone Eccles Football Center. In fiscal year 2013, the annual debt service totaled \$1,988,488. As of June 30, 2013, the Athletic Department had \$25,195,000 of outstanding Series 2012 Auxiliary and Campus Facilities Revenue Bonds for the Spence & Cleone Eccles Football Center. The Athletic Department anticipates the bond will be paid off as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2014	\$ 895,000	\$ 1,154,525	\$ 2,049,525
2015	920,000	1,127,675	2,047,675
2016	960,000	1,090,875	2,050,875
2017	1,000,000	1,052,475	2,052,475
2018	1,040,000	1,012,475	2,052,475
2019-2023	5,765,000	4,483,525	10,248,525
2024-2028	7,340,000	2,912,875	10,252,875
2029-2032	7,275,000	922,275	8,197,275
	<u>\$ 25,195,000</u>	<u>\$ 13,756,700</u>	<u>\$ 38,951,700</u>

These outstanding bonds are secured by the University's pledging of net revenues, student building fees, and other miscellaneous fees. The debt service payments are paid by the Athletic Department's operating funds and subsidized by private donations. Additional information related to these bonds is available in the University's separately-issued financial statements.

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INTERCOLLEGIATE ATHLETIC DEPARTMENT

NOTES TO STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

10. OTHER OPERATING EXPENSES

Other Operating Expenses include miscellaneous operating expenses with the top three categories being Cost of Goods Sold (\$432,078), Meals (\$469,101), Credit Card Fees (476,537) and Independent Contractors/Consultants (\$1,024,579).

11. TRANSFERS

The Transfer line items include funds reallocated from sport development accounts to subsidize deficits in operating activities. They also include the transfer of funds to plant operations for general construction projects and maintenance.

12. CAPITAL ASSETS

As described in the University's separately-issued financial statements, capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Buildings, infrastructure and improvements, and additions to existing assets are capitalized when acquisition costs equal or exceed \$250,000. Equipment is capitalized when acquisition costs equal or exceed \$5,000. All land is capitalized and not depreciated. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Capital assets of the University are depreciated on a straight-line basis over their estimated useful lives: 40 years for buildings, 15 years for infrastructure and improvements, and 5 to 20 years for equipment.

13. SUBSEQUENT EVENT

As described in the University's separately-issued financial statements, on July 30, 2013 the University issued \$127,925,000 of General Revenue Bonds, Series 2013A. A portion of this bond issuance, estimated to be \$23,600,000 is to be used for the acquisition and construction of a basketball training center. These bonds are secured by general revenues of the University, with some exclusions. Once construction is completed, the Athletics Department will pay a portion of these bonds' debt service payments with operating funds.