

Utah Valley University Intercollegiate Athletics Department

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES
For the Year Ended June 30, 2014



UTAH VALLEY UNIVERSITY INTERCOLLEGIATE ATHLETICS DEPARTMENT

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Trustees
and
Dr. Matthew S. Holland, President
Utah Valley University

We have performed the procedures enumerated below, which were agreed to by Utah Valley University, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses of the **Utah Valley University Intercollegiate Athletics Department** is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the year ended June 30, 2014. **Utah Valley University Intercollegiate Athletics Department's** management is responsible for the Statement of Revenues and Expenses (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.

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

The procedures that we performed and our findings are as follows.

Agreed-Upon Procedures – Internal Control

1. We reviewed the general control environment for the Intercollegiate Athletic Department. As part of this review, we looked at the organization of the Athletic Department. We made certain inquiries of management regarding control consciousness, competence of personnel, adequate safeguarding and controls of records and assets, 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 Athletic Department that have not been addressed in connection with the audit of the University's financial statements.

During the review of the controls, we noted one control item related to student aid that is addressed in the expense section of this report.

Agreed-Upon Procedures – Internal Control (Continued)

2. Of the samples selected in expense testing, a total of forty cash disbursements of the **Utah Valley University Intercollegiate Athletics Department** for the year ended June 30, 2014 were selected from the University's general ledger. For each of these disbursements, we compared the disbursement amount and payee information to supporting documentation (i.e., signed reports, invoices, and documentation of receipt). Each disbursement was authorized by the signature of the Athletic Director of Business.

No material exceptions were found in this procedure.

3. We reviewed the check log maintained by the **Utah Valley University Intercollegiate Athletics Department** that is reconciled to the Foundation's records to ensure the accuracy and completeness of the monies contributed to the University for Athletics.

We did not note any instances that the reconciliation was not performed.

Agreed-Upon Procedures - General

The procedures that we performed and our findings are as follows:

4. We obtained the Statement for the year ended June 30, 2014, as prepared by management and as presented in Schedule I herein. We recalculated the mathematical accuracy of the amounts on the schedule and agreed the amounts to the University's general ledger.

We found no exceptions as a result of these procedures.

5. We compared actual revenues and expenses in the Statement for the year ended June 30, 2014 to the prior year amounts (FY 2013). As agreed, we identified actual variances of greater than 33% and \$39,000 from the prior year amounts and obtained explanations from University officials regarding the reasons for the variations as follows:

- a. **NCAA/Conference Distributions:** In 2014, the University received funds from their prior conference returning their Student Assistance Funds and Grants in Aid money that had been provided by the NCAA to the Conference for Utah Valley University (UVU).
- b. **Other Revenue:** In 2013, the University received a onetime NCAA grant that was classified as 'Other' revenue.
- c. **Game Expenses:** Joining the Western Athletic Conference (WAC) required a higher and more expensive caliber of game officials. Additionally, the number of home contests increased.

Agreed-Upon Procedures – General (Continued)

- d. **Medical Insurance and Expenses:** In addition to an increased number of claims on the University's secondary insurance, the University also began a program to assist identified student athletes with purchasing primary insurance.
- e. **Memberships and Dues:** The University joined the WAC which required a large annual membership as well as a three year entrance fee.
- f. **Other Expenses:** Luncheons and receptions were significantly higher due to more events. However, the largest reason for the difference is due to \$65,000 being paid to Lexington Insurance Company for damages to a hotel incurred on a volleyball team trip.

No additional procedures were performed with respect to management's representations as to the reasons for the variances.

Agreed-Upon Procedures – Revenues

- 6. We obtained a listing of operating revenue for the year ended June 30, 2014. We agreed the operating revenue total per the detailed listing to the total operating revenue amount in the Statement.

We found no exceptions as a result of these procedures.

- 7. We obtained the University's general ledger for the year ended June 30, 2014, as prepared by the department's accountants and compared such revenue to the corresponding amounts in the Statement.

We found no exceptions as a result of these procedures.

- 8. We obtained the University's calculation for the allocation of student fees to athletics. We recalculated the mathematical accuracy of the amounts in the calculation, agreed amounts in the calculation to the general ledger, and compared the amount of student fees revenue per the calculation to the corresponding amount in the Statement.

We also considered the controls over the accuracy of the allocation of student fees. We inspected four journal entries throughout the year for documentation of management review over the accuracy of the journal entries.

We found no exceptions as a result of these procedures.

Agreed-Upon Procedures – Revenues (Continued)

9. We selected the following guarantees for testing: Dallas Baptist Guarant Men's Baseball, Loyola Marymount Men's Baseball, University of Oregon Men's Basketball, Oklahoma State University Men's Basketball, University of Arizona Women's Volleyball, and Haskell Airfare Men's Basketball. For these guarantees, we compared the guarantee revenue on the schedule provided by the University to amounts specified in contracts and settlement reports. We compared the total revenue for away game guarantees in the schedule provided by the University to the corresponding amount of away guarantee revenues in the Statement.

We found no exceptions as a result of these procedures.

10. We obtained a report from the University detailing the contributions received by the University for Athletics. We selected the largest contribution and 4 additional random selections and agreed the contributions received to the supporting documentation. We compared the total contributions revenue in the report provided by the University to the corresponding amount in the Statement.

We also considered the controls over the reconciliation of contributions received and recorded. We inspected the check logs and verified that they were reviewed and signed as well as verified that one of the check logs reconciled to the supporting documentation.

We found no exceptions as a result of these procedures.

11. We obtained a report from the University detailing the direct institutional support revenue recorded by the University for the year ending June 30, 2014. We compared the total direct institutional support revenue in the report provided by the University to the corresponding amount in the Statement. We also verified that the waivers monies reconciled to the waivers expenses.

We found no exceptions as a result of these procedures.

12. We obtained the indirect institutional support recorded by the University with state appropriations, institutional authorizations and other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

13. We obtained a report from the University detailing the NCAA/Conference Distributions revenue recorded by the University for the year ended June 30, 2014. We selected a sample of 9 transactions and agreed those transactions to the corresponding supporting documentation. We compared the total NCAA/Conference Distributions revenue to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

Agreed-Upon Procedures – Revenues (Continued)

14. We obtained a report from the University detailing the Royalties, Advertisement, and Sponsorship revenue recorded by the University for the year ended June 30, 2014. We selected a sample of 3 transactions (approximately 36% of the total) and agreed those transactions to the corresponding supporting documentation. We compared the total royalty, advertising, and sponsorship revenue to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

Agreed-Upon Procedures - Expenses

15. We obtained a listing of operating expenses for the year ended June 30, 2014. We agreed the operating expense total per the listing to the total operating expense amounts in the Statement.

We found no exceptions as a result of these procedures.

16. We obtained the University's general ledger for the year ended June 30, 2014, as prepared by the department's accountants and compared such expenses to the corresponding amounts in the Statement.

We found no exceptions as a result of these procedures.

17. We randomly selected a sample of students receiving institutional student aid during the reporting period from a schedule provided by the University. For each of the students selected we obtained individual student account detail and compared the total aid allocated with the related students award letter. We compared the total expenses for student aid in the schedule provided by the University to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures. However, as noted from above, we identified one control item related to the student aid control process that could be improved. During our inquiry, it was noted that the scholarship coordinator is responsible for entering a portion of the student athletes' aid information into Banner. We recommend, that to improve the process, the University add a review to the student aid information input into Banner after it is input. This will strengthen the control process and ensure continued accurate student aid payments.

18. We obtained a listing of University coaches employed by the University for the year ended June 30, 2014. From this listing we selected a total of three coaches: one from men's basketball, women's basketball and men's baseball. For each of these three coaches, we compared the recorded salary expenses, including salary, benefits, and bonuses received, if any, per the University's general ledger to their contracts and year-end payroll summary reports. We compared the total expenses for coaching salaries, benefits and bonuses in the University's general ledger to the corresponding amount in the Statement.

We found no material exceptions as a result of these procedures.

Agreed-Upon Procedures – Expenses (Continued)

19. We obtained a listing of support staff/administration salaries, benefits and bonuses paid by the University for the year ended June 30, 2014. From this listing, we selected a total of nine support/administration staff. For these nine support/administration staff, we compared the recorded salary, benefits and bonuses, if any, to their contracts and year-end payroll summary reports. We compared the total expenses for support staff/administrative salaries, benefits and bonuses paid by the University and related entities per the listing to the corresponding amount in the Statement.

We found no material exceptions as a result of these procedures.

20. We obtained and documented an understanding of the University's recruiting expense policies. We then compared and agreed the University's policies to existing NCAA – related policies.

We found no exceptions as a result of these procedures.

21. We obtained and documented an understanding of the University's team travel policies. We then compared and agreed the University's policies to existing NCAA – related policies.

We found no exceptions as a result of these procedures.

22. We obtained a report detailing team travel expenses from the University for the year ended June 30, 2014. We judgmentally selected a sample of team travel expenses for the reporting period from the schedule provided by the University and compared the sample selected to the supporting documentation. We compared the total team travel expenses in the report provided by the University to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

23. We obtained a report detailing equipment, uniforms and supplies expenses from the University for the year ended June 30, 2014. We judgmentally selected a sample of equipment, uniforms, and supplies expenses for the reporting period from the schedule provided by the University and compared the sample selected to the supporting documentation. We compared the total equipment, uniforms, and supplies expenses in the report provided by the University to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

Agreed-Upon Procedures – Expenses (Continued)

24. We obtained a report detailing game expenses from the University for the year ended June 30, 2014. We judgmentally selected a sample of game expenses for the reporting period from the schedule provided by the University and compared the sample selected to the supporting documentation. We compared the total game expenses in the report provided by the University to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

25. We obtained a report detailing fund raising, marketing and promotion expenses from the University for the year ended June 30, 2014. We judgmentally selected a sample of fund raising, marketing and promotion expenses for the reporting period from the schedule provided by the University and compared the sample selected to the supporting documentation. We compared the total fund raising, marketing and promotion expenses in the report provided by the University to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

26. We obtained a report detailing direct facilities, maintenance and rental expenses from the University for the year ended June 30, 2014. We judgmentally selected a sample of direct facilities, maintenance and rental expenses for the reporting period from the schedule provided by the University and compared the sample selected to the supporting documentation. We compared the total direct facilities, maintenance and rental expenses in the report provided by the University to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

27. We obtained a report detailing indirect cost allocations from the University for the year ended June 30, 2014. We inquired of the University regarding the methodology for allocating indirect costs. We compared the total indirect cost allocation expenses in the report provided by the University to the corresponding amount in the Statement.

We found the indirect cost allocation reasonable and consistent from year-to-year.

28. We obtained a report detailing the medical insurance expense from the University for the year ended June 30, 2014. We judgmentally selected a sample of medical insurance expenses for the reporting period from a schedule provided by the University and compared the sample selected to the supporting documentation. We compared the total medical insurance expense in the report provided by the University to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

Agreed-Upon Procedures – Expenses (Continued)

29. We obtained a report detailing membership and dues expenses from the University for the year ended June 30, 2014. We judgmentally selected a sample of membership and dues expenses for the reporting period from a schedule provided by the University and compared the sample selected to the supporting documentation. We compared the total membership and dues expenses in the report provided by the University to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

30. We obtained a report detailing other operating expenses from the University for the year ended June 30, 2014. We judgmentally selected a sample of other operating expenses for the reporting period from a schedule provided by the University and compared the sample selected to the supporting documentation. We compared the total other operating expenses in the report provided by the University to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

31. We reviewed the footnotes to the Statement for propriety and compliance with NCAA guidelines.

We found no exceptions as a result of these procedures.

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 revenue and expenses of **Utah Valley University Intercollegiate Athletics Department**. Accordingly, we do not express such an 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 specified parties listed above, and is not intended to be and should not be used by anyone other than these specified parties.

Larson & Company P.C.

Larson & Company PC
January 13, 2015

**UTAH VALLEY UNIVERSITY INTERCOLLEGIATE
ATHLETICS DEPARTMENT**

Statement of Revenues and Expenses
For the Year Ended June 30, 2014

*(Unaudited – See Accompanying Independent Accountant’s Report on
Applying Agreed-Upon Procedures)*

Operating revenue:

Ticket sales	\$ 48,416
Student fees	4,391,352
Guarantees	263,750
Contributions	294,658
Direct institutional support	3,759,311
Indirect facilities and administration support	1,450,756
NCAA/Conference distributions	699,262
Concessions, programs, etc.	34,620
Royalties, advertisement, sponsorship, etc.	207,633
Endowment and investment income	6,096
Other	35,716
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Total revenue	11,191,569

Operating expenses:

Student aid	1,870,433
Guarantees	17,401
Coaching salaries and benefits	1,927,049
Support staff salaries and benefits	2,027,917
Recruiting	135,558
Team travel	1,391,662
Equipment, uniforms, and supplies	594,865
Game expenses	297,878
Fundraising, marketing, promotion	119,341
Direct facilities and administration support	66,807
Indirect facilities and administration support	1,450,756
Medical insurance and expenses	233,980
Memberships and dues	169,025
Other	216,422
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Total expenses	10,519,095
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Excess of revenues over expenses	\$ 672,474

**UTAH VALLEY UNIVERSITY INTERCOLLEGIATE
ATHLETICS DEPARTMENT**

Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2014

*(Unaudited – See Accompanying Independent Accountant’s Report on
Applying Agreed-Upon Procedures)*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statement has been prepared on the accrual basis of accounting. State Appropriated Revenues and Financial Aid expenses have not been reduced for scholarship allowances. The financial statement presents the results of financial activity of the Intercollegiate Athletics Department. The University accounting and budgeting practices do not allocate all applicable revenues and expenses to individual sport programs. Therefore, all Intercollegiate Athletic Department financial activity has been combined and shown in one column. The significant accounting policies followed are described below.

Expenditure Allocation

The University incurs expenses for accounting and other general administrative costs, including depreciation, which benefits athletic programs. These costs have not been allocated to athletic programs. However, a reasonable estimate of indirect costs has been calculated and reported in this statement. The indirect costs have been calculated taking into consideration Operations and Maintenance costs, as well as Institutional Support costs. The Operations and Maintenance costs have been based on square footage, and the Institutional Support costs have been based on Salaries.

Capital Assets

Capital assets are recorded at cost on the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University’s capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Buildings, building additions, building improvements that extend the useful life of the asset, infrastructure, and land improvements are capitalized if the cost is over \$50,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the useful lives of the assets. The useful lives of the assets are determined based on estimated actual life of the asset using where possible the guidelines of the State of Utah Standard Useful Life Table.

Contest Agreements

UVU Athletics enters into contest agreements for every game played. Some of these agreements provide the athletics team with compensation for traveling to other states. This compensation may include, but is not limited to, airfare, ground transportation, hotel stays, and food. The institutions paying for these benefits do not provide UVU with any documentation for including the cost in our financial statement.

**UTAH VALLEY UNIVERSITY INTERCOLLEGIATE
ATHLETICS DEPARTMENT**

Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2014

*(Unaudited – See Accompanying Independent Accountant’s Report on
Applying Agreed-Upon Procedures)*

2. GIFTS

During fiscal year 2014, the Intercollegiate Athletics Department received a donation to scholarships as a portion of the UCCU Center naming rights contracts, totaling \$44,444. This was the only contribution totaling greater than 10% of total contributions.

Restricted gift funds represent donations to the University, the expenses of which have been restricted by donors for use by the Intercollegiate Athletics Department. Included are gifts to the Wolverine Club, which was established by the University to promote fund-raising activities for the Intercollegiate Athletics Department. Restricted gifts include monetary donations and donations in kind. The following schedule shows the restricted receipts and earnings on these gifts for the Intercollegiate Athletics Department. In kind donations are not reported.

Restricted receipts:

Gifts	\$ 294,658
Investments, other income	6,096
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Total receipts	\$ 300,754
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**UTAH VALLEY UNIVERSITY INTERCOLLEGIATE
ATHLETICS DEPARTMENT**

Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2014

*(Unaudited – See Accompanying Independent Accountant’s Report on
Applying Agreed-Upon Procedures)*

3. CAPITAL ASSETS

The following are the changes in intercollegiate athletics-related capital assets of the University for the year ended June 30, 2014:

	<u>Book Value</u> <u>6/30/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Book Value</u> <u>6/30/2014</u>
Capital assets being depreciated:				
Buildings*	\$ 30,159,899	\$ 211,039	\$ -	\$ 30,370,938
Equipment	612,485	1,166,992	-	1,779,477
Total depreciable	<u>30,772,384</u>	<u>1,378,031</u>	<u>-</u>	<u>32,150,415</u>
Less accumulated depreciation:				
Buildings*	11,503,422	886,768	-	12,390,190
Equipment	528,036	48,335	-	576,371
Total depreciable	<u>12,031,458</u>	<u>935,103</u>	<u>-</u>	<u>12,966,561</u>
Total capital assets, net	<u>\$ 18,740,926</u>	<u>\$ 442,928</u>	<u>\$ -</u>	<u>\$ 19,183,854</u>

*Buildings included in this schedule include: The UCCU Events Center, The Baseball Stadium, The Wolverine Service Center Remodel, The UVU Athletic Track & Field Facility, UVU Softball Field Remodel, UCCU Women’s Locker Room Remodel, Soccer Field Bleacher Improvements, and one half of the PE Building & Remodel.

**UTAH VALLEY UNIVERSITY INTERCOLLEGIATE
ATHLETICS DEPARTMENT**

Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2014

*(Unaudited – See Accompanying Independent Accountant’s Report on
Applying Agreed-Upon Procedures)*

4. DEBT

The bonds payable associated with the intercollegiate athletics-related facilities at June 30, 2014 consist of the following:

Description	Original Issue	Balance June 30, 2014	Due Within One Year
MBA 2004A Lease Revenue Bonds (Federally Taxable), due in annual installments through 2019, interest rate 4.5% and 6.0%	\$ 3,900,000	\$ 1,955,000	\$ 280,000
Less discount	(16,666)	(6,250)	(1,042)
Total net MBA 2004A	\$ 3,883,334	\$ 1,948,750	\$ 278,958

The scheduled maturities of bonds payable at June 30, 2014, are as follows:

Year	Principal	Interest	Total
2015	\$ 280,000	\$ 108,200	\$ 388,200
2016	295,000	91,650	386,650
2017	315,000	73,350	388,350
2018	335,000	53,850	388,850
2019	355,000	43,150	398,150
2020	375,000	11,250	386,250
Total	\$ 1,955,000	\$ 381,450	\$ 2,336,450