

SOUTHERN UTAH UNIVERSITY

Intercollegiate Athletics Program
Agreed-Upon Procedures Report
For the Year Ended June 30, 2015

Report No. 15-33



OFFICE OF THE
UTAH STATE AUDITOR

SOUTHERN UTAH UNIVERSITY

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AUDIT LEADERSHIP:

Jason Allen, CPA, CFE, Audit Supervisor
Melanie Henderson, CPA, Audit Supervisor



OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee,
and
Scott Wyatt, President
Southern Utah University

We have performed the procedures enumerated below, which were agreed to by Southern Utah University's (University) management, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (the Statement) of the University's Intercollegiate Athletics Program is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2015. 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

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

We tested the specific elements of the control environment and accounting systems that are unique to the Intercollegiate Athletics Program that were not addressed in connection with the audit of the University's financial statements. This included testing samples of Ticket Office cash receipts, Business Office cash receipts, payroll transactions, and non-payroll transactions for compliance with internal control policies and procedures. Sample sizes were limited to 25 items or 10% of the population for both cash receipts, payroll, and non-payroll transactions.

- B. 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 Athletics Program. The only booster club activity is the Thunderbird Club, which is under the accounting control of the University.

Statement of Revenues and Expenses Agreed-Upon Procedures

- C. We obtained the Intercollegiate Athletics Program's Statement of Revenues and Expenses (the Statement) for the year ended June 30, 2015, as prepared by management.

- We agreed the amounts reported on the Statement to the University's general ledger. We ensured that the amounts were reported in accordance with NCAA Guidelines and generally accepted accounting principles and reported to the Intercollegiate Athletics Program the matters that came to our attention that caused us to believe an account or item should be adjusted by more than \$50,000.

We proposed the following adjustment to the Statement which was necessary to comply with NCAA Guidelines:

- Reallocation of \$1,016,400 Guarantees Revenue from Administration to Men's Basketball, Football, and Other Sports columns.

This adjustment has been reflected in the Statement.

- We compared and agreed each operating revenue and expense category that comprised more than 0.5% of total revenues or total expenses, as reported on the Statement during the reporting period, to supporting schedules provided by the University.
- We compared and agreed samples of 25 operating revenue receipts and 25 expenses obtained from the above supporting schedules to adequate supporting documentation.
- We compared each major revenue and expense account over 10% of the total revenues or total expenses to prior period amounts and budget estimates. We obtained and documented an understanding of any variations over the lesser of \$1 million or 10%. We have reported our analysis as a supplement to this final Agreed-Upon Procedures report (see Exhibit I).
- We reviewed the footnotes to the Statement for propriety and compliance with NCAA guidelines.

D. We performed the following procedures related to the Intercollegiate Athletics Program.

Revenue Procedures:

Ticket Sales

1. 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 the related attendance figures and recalculated totals.

Expense Procedures:

Recruiting

2. We obtained and documented an understanding of the University's recruiting expense policies.
3. We compared and agreed these policies to existing University- and NCAA-related policies.
4. We obtained general ledger detail and compared it to the total expenses reported and recalculated totals.

Team Travel

5. We obtained and documented an understanding of the University's team travel policies.
6. We compared and agreed these policies to existing University- and NCAA-related policies.
7. We obtained general ledger detail and compared it to the total expenses reported and recalculated totals.

Additional Agreed-Upon Procedures

- E. We compared and agreed the sports sponsored as reported in the NCAA Membership Financial Reporting System to the squad lists of the University.

We noted one exception, which is discussed in “C” above. We found no other exceptions or adjustments greater than \$50,000 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 accompanying Statement’s compliance with NCAA Bylaw 3.2.4.15. 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.

As noted above, this agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. These standards require us to convey that “this report is intended 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 14, 2016

Southern Utah University
Intercollegiate Athletics Program
Statement of Revenues and Expenses
For the Year Ended June 30, 2015

	Administration	Men's Basketball	Football	Other Sports	Total
Revenues:					
Ticket Sales	\$ -	\$ 31,944	\$ 64,203	\$ 26,522	\$ 122,669
Student Fees	-	93,010	477,991	692,766	1,263,767
Direct Institutional Support	1,030,554	579,992	1,536,938	2,830,078	5,977,562
Indirect Institutional Support	890,924	-	-	-	890,924
Guarantees	-	272,000	700,000	44,400	1,016,400
Contributions	150,326	17,550	85,418	74,818	328,112
In-Kind	1,175	-	15,095	10,986	27,256
NCAA Distributions	-	55,393	284,671	412,582	752,646
Conference Distributions	-	23,545	121,003	175,372	319,920
Royalties, Licensing & Sponsorship	12,820	37,171	74,708	30,861	155,560
Endowment Income	3,701	-	-	-	3,701
Other Revenues	135,259	-	2,581	43,585	181,425
Total Revenues	2,224,759	1,110,605	3,362,608	4,341,970	11,039,942
Expenses:					
Financial Aid (Note A)	81,278	230,775	770,246	1,434,772	2,517,071
Guarantees	-	9,000	4,000	13,800	26,800
Coaching Compensation, University	-	306,868	683,271	1,162,180	2,152,319
Support Staff Compensation, University	1,131,128	-	-	-	1,131,128
Recruiting	-	54,110	30,287	90,404	174,801
Team Travel	208,937	225,400	557,393	738,047	1,729,777
Uniforms and Supplies	155,916	64,475	205,623	228,609	654,623
Game Expenses	-	77,000	50,725	137,337	265,062
Fund Raising, Marketing & Promotion	32,424	-	-	-	32,424
Indirect Institutional Support	890,924	-	-	-	890,924
Medical Expenses & Insurance	173,519	-	803	3,104	177,426
Memberships and Dues	48,609	1,460	1,281	4,267	55,617
Other Operating Expenses	462,927	38,250	108,738	144,673	754,588
Total Expenses	3,185,662	1,007,338	2,412,367	3,957,193	10,562,560
Excess (Deficiency) of Revenues over Expenses	\$ (960,903)	\$ 103,267	\$ 950,241	\$ 384,777	\$ 477,382
Transfers to/from Other Funds					-
Net Increase (Decrease) in Net Position					\$ 477,382

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

Southern Utah University
Intercollegiate Athletics Program
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2015

A. Basis of Presentation

The accompanying Statement of Revenues and Expenses (the Statement) has been prepared on the accrual basis of accounting. Financial aid expenses include scholarship allowances in the amount of \$521,085. Tuition waivers have been reported as Tuition Waivers Revenue and Financial Aid Expense. The purpose of the Statement is to present a summary of the financial activity of the Intercollegiate Athletics Program of the University for the year ended June 30, 2015. Because the Statement presents only a selected portion of the activity of the University, it is not intended to and does not present either the financial position or changes in financial position for the University in total.

B. Allocation Among Sports

The revenues and expenses of the major sports, which include men's basketball and football, are reported separately. All other sports have been combined and reported as "Other Sports." The administrative functions of the Intercollegiate Athletics Program, which support all sports, have been combined for reporting purposes in the column "Administration." All revenues and expenses 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.

C. Institutional Support

Institutional support represents allocations by the University administration of general unrestricted funds for various athletic programs. The allocations were primarily used to fund the salaries of athletic administration, coaches, and other athletic program personnel.

Additionally, the University incurs expenses for accounting, payroll, physical plant, and other general administrative costs, including depreciation, that benefit the Intercollegiate Athletics Program. However, these costs have not been allocated to the Intercollegiate Athletic Program and are not reported in this statement.

D. Gifts

There were no direct contributions to the Intercollegiate Athletics Program greater than ten percent of the total gift revenue from any affiliated or outside organization, agency, or individual. In addition, there were no gifts greater than ten percent of the total gift revenue from groups of two or more individuals. There were no significant changes to endowments for the Intercollegiate Athletics Program during the year ended June 30, 2015.

Southern Utah University
Intercollegiate Athletics Program
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2015

E. Capital Assets

The University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related capital assets is the same as for all University capital assets.

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. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 (\$3,000 or more for fiscal years prior to 2015), and an estimated useful life greater than one year. Buildings, renovations to buildings, infrastructure, and land improvements with a cost of \$20,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. All land is capitalized and not depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets – 30 to 40 years for buildings; 20 to 40 years for infrastructure, land improvements, and library collections; and 3 to 20 years for equipment.

F. Internal Loan

On June 1, 2012, \$1,100,000 was transferred as an internal loan to the Intercollegiate Athletics Program to fund the installation of an artificial turf field in Eccles Coliseum. Interest will accumulate, beginning June 1, 2012, at 2.26 percent annually. Principal and interest payments in the amount of \$125,000 will be paid each year beginning January 1, 2013 and ending January 1, 2022. In addition, the Intercollegiate Athletics Program agrees to transfer annually, per the same payment schedule, \$60,000 into a Renewal and Replacement fund to accumulate funds for replacement of the turf at the end of the expected ten-year life of the field.

Southern Utah University
Intercollegiate Athletics Program
Analysis of Significant Variances
For the Year Ended June 30, 2015

COMPARISON OF CURRENT YEAR ACTUAL TO PRIOR YEAR ACTUAL

	<u>2015 Totals</u>	<u>2014 Totals</u>	<u>Variance \$ Increase/ (Decrease)</u>	<u>Variance % Increase/ (Decrease)</u>
Operating Revenues				
Student Fees	\$ 1,263,767	\$ 1,268,816	\$ (5,049)	(.40%)
Direct Institutional Support	5,977,562	4,501,871		
Tuition Waivers		1,320,070		
Total Direct Institutional Support/Tuition Waivers	<u>5,977,562</u>	<u>5,821,941</u>	155,621	2.67%
Operating Expenses				
Financial Aid	\$ 2,517,071	\$ 2,722,266	\$ (205,195)	(7.54%)
Coaching Compensation, University	2,152,319			
Support Staff Compensation, University	1,131,128			
Total Compensation	<u>3,283,447</u>	3,113,576	169,871	5.46%
Recruiting	174,801			
Team Travel	1,729,777			
Total Recruiting and Team Travel	<u>1,904,578</u>	1,971,653	(67,075)	(3.40%)

COMPARISON OF ACTUAL TO BUDGET

	<u>2015 Totals</u>	<u>2015 Budget</u>	<u>Budget Variance \$ Over/(Under)</u>	<u>Budget Variance % Over/(Under)</u>
Operating Revenues				
Student Fees	\$ 1,263,767	\$ 1,200,000	63,767	5.31%
Total Direct Institutional Support/Tuition Waivers	5,977,562	5,845,100	132,462	2.27%
Operating Expenses				
Financial Aid	\$ 2,517,071	\$ 2,949,896	\$ (432,825)	(14.67%) *
Total Compensation	3,283,447	3,061,000	222,447	7.27%
Total Travel	1,904,578	1,820,000	84,578	4.65%

* Decrease due to 22 athletes receiving academic scholarships that were included in the athletic scholarship budget.