

UNIVERSITY OF UTAH

Intercollegiate Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2019

Report No. 19-34



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Andrew Driggs, Audit Senior



OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee,
and
Ruth V. Watkins, President
University of Utah

We have performed the procedures enumerated below, which were agreed to by the University of Utah's management, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (the Statement) of the University's Intercollegiate Athletic Program (Program) is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2019. 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 performed and the associated findings are as follows:

Internal Control Agreed-upon Procedures

- A. We reviewed the general control environment for the Program. As part of this review, we reviewed the organization of the Program. We also made certain inquiries of management regarding departmental organization, 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, controls over interactions with the Information Technology Department, and other relevant matters. We found no exceptions as a result of these procedures.
- B. We tested samples of Ticket Office cash receipts, Business Office cash receipts, payroll transactions, and non-payroll transactions to ensure that the internal controls of the Program are the same as those addressed in connection with the audit of the University's financial statements for June 30, 2019. Our sample sizes were limited to 5 items each for Ticket Office cash receipts, Business Office cash receipts, payroll, and non-payroll transactions. We found no exceptions as a result of these procedures.
- C. We reviewed and tested the University's procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the Program. All booster group activity is under the accounting control of the University; therefore, we performed no additional procedures.

Statement of Revenues and Expenses Agreed-Upon Procedures

D. We obtained the Program's Statement of Revenues and Expenses (the Statement) for the year ended June 30, 2019, 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.
- We compared and agreed each operating revenue and expense category that comprised more than 4.0% 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 selected in step B above and in the Revenue and Expense Procedures noted below 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. We obtained and documented an explanation of any variations greater than 10%. We have reported our analysis as a supplement to this Agreed-Upon Procedures report (see Exhibit I).
- We reviewed the footnotes to the Statement for propriety and compliance with NCAA guidelines.

We agreed to report on any matter that came to our attention that caused us to believe that any of the specified accounts or items needed to be adjusted by more than \$100,000. We found no exceptions greater than \$100,000 as a result of these procedures.

E. We performed the following procedures related to the Intercollegiate Athletic Department.

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 for football, men's basketball, and gymnastics and recalculated totals. We identified \$914,992 in contributions revenues included in Ticket Sales; therefore, the Ticket Sales and Contributions line items were adjusted to reflect the proper classification of Contributions revenue.

Direct Institutional Support

2. We compared the direct institutional support recorded by the University during the reporting period with institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculated totals.

Indirect Institutional Support

3. We compared the indirect institutional support recorded by the University during the reporting period with expense payments, cost allocation detail, and other corroborative supporting documentation and recalculated totals.

Media Rights

4. We obtained and inspected a 10% sample of agreements to understand the University's total media (broadcast, television, radio) rights received by the University or through its conference offices as reported in the Statement.
5. We compared and agreed the media right revenues to a summary statement of all media rights identified, if applicable, and to the University's general ledger and recalculated totals.

Program Sales, Concessions, Novelty Sales, and Parking

6. We compared the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales, and parking as well as any other corroborative supporting documents and recalculated totals.

Royalties, Licensing, Advertisements, and Sponsorships

7. We obtained and inspected a 10% sample of agreements related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period for relevant terms and conditions.
8. We compared and agreed the related revenues to the University's general ledger and/or the Statement and recalculated totals.

Athletics Restricted Endowment and Investment Income

9. We obtained and inspected endowment agreements for relevant terms and conditions.
10. We could not compare or agree the classification and use of endowment and investment income reported in the Statement during the reporting period to the uses of income defined within the related endowment agreement and recalculated totals. The University does not track expenses/uses of endowment income by endowment agreement.

We found no additional exceptions as a result of procedures 2 through 10.

Expense Procedures:

Athletic Student Aid

11. We selected 40 student athletes from the listing of University student aid recipients during the reporting period.
12. We obtained individual student account detail for each selection and compared total aid in the University's student system to the student's detail in the NCAA's Compliance Assistant (CA) software. We identified differences between the University's student system and the CA software for all 40 student athletes selected. The variances between total aid according to the University's student system and the amount exported in the

CA software ranged from (\$1,124) to \$12,358, netting to a (\$149,440) difference for all 40 student athletes selected.

13. We performed a check to ensure the information for each student selected was accurately reported in the NCAA's Compliance Assistant software using the criteria listed in the NCAA 2019 Agreed-Upon Procedures Guide.
14. We recalculated totals for each sport and overall.

Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

15. We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period. We selected a sample of 7 coaches' contracts that included football, and men's and women's basketball from the listing.
16. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the Statement during the reporting period.
17. We obtained and inspected payroll summary registers for the reporting period for each selection. We compared and agreed payroll summary registers from the reporting period to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the Statement during the reporting period.
18. We compared and agreed the totals recorded to any employment contracts executed for the sample selected and recalculated totals.

Severance Payments

19. We selected one Program employee who received severance payments by the University during the reporting period and agreed each severance payment to the related termination letter or employment contract and recalculated totals.

Fund Raising, Marketing and Promotion

20. We obtained general ledger detail and compared it to the total expenses reported. We selected a sample of 40 transactions to validate the existence of and accuracy in recording the transactions and recalculated totals.

Memberships and Dues

21. We obtained general ledger detail and compared it to the total expenses reported. We selected a sample of 17 transactions to validate the existence of and accuracy in recording the transactions and recalculated totals.

We found no exceptions as a result of these procedures.

Other Reporting Items

Value of Athletics Dedicated Endowments

22. We obtained a schedule of all athletics dedicated endowments maintained by the Program, the University, and affiliated organizations. We agreed the fair market value in the schedule to supporting documentation, the general ledger and audited financial statements.

Additional Agreed-Upon Procedures

F. Grants-in-Aid:

- We compared and agreed the sports sponsored as reported in the NCAA Membership Financial Reporting System (MFRS) to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from Compliance Assistance (CA).
- We compared current year Grants-in-Aid revenue distribution equivalencies to the prior year reported equivalencies per the Membership Financial Report submission.

G. Sports Sponsorship:

- We obtained the University's Sports Sponsorship and Demographics Form submitted to the NCAA for the reporting year and validated that the countable NCAA sports reported by the University met the minimum requirements set forth in Bylaw 20.9.6.3 related to the number of contests and the number of participants in each contest that are counted toward meeting the minimum contest requirement. We then ensured that the University properly reported these sports as countable for revenue distribution purposes within the MFRS.
- We compared the current year number of Sports Sponsored to the prior year reported total per the Membership Financial Report submission.

H. Pell Grants:

- We agreed the total number of Division I student athletes who, during the academic year, received a Pell Grant award and the total value of these Pell Grants reported in the MFRS to a report, generated out of the University's financial aid records, of all student athlete Pell Grants. We tied the information for students selected in step E.11. who received Pell Grants back to the report.
- We compared the current year Pell Grants total to the prior year reported total per the Membership Financial Report submission.

For these additional agreed-upon procedures, we agreed to inquire and document an explanation for any variance exceeding the thresholds described in the 2019 NCAA Agreed-Upon Procedures guidelines. For step F above, the variance between years was 9.63%. Since the variance was greater than +/- 4%, we inquired of Program management and documented the following explanation:

- Men's Lacrosse was added as a sponsored sport;
- The Men's and Women's Skiing coaches changed their methodology to award scholarships to maximize the number of grants;
- Football staff better maximized grants and increased mid-year transfers;
- The total equivalencies on the 2018 FRS Report was 266.21, while the 2019 paid equivalency was 257.21, which caused a discrepancy of 9 equivalencies on the 2019 report.

We found no variances exceeding the acceptable thresholds for steps G and H above.

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 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 for the information and use of the Board of Trustees, Audit Committee, and Administration of the University and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

Office of the State Auditor

Office of the State Auditor
January 15, 2020



**UNIVERSITY OF UTAH
ATHLETICS DEPARTMENT
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES:	Football	Men's Basketball	Women's Basketball	Gymnastics	Other Sports	Non-Sport Specific	Total
Ticket Sales	\$ 16,156,877	\$ 2,222,682	\$ 24,127	\$ 616,421	\$ 113,965	\$ 797,030	\$ 19,931,102
Direct State or Other Gov't'l Support	-	-	-	-	-	-	-
Student Fees	-	-	-	-	-	5,979,493	5,979,493
Direct Institutional Support (Note 3)	1,335,098	149,946	147,016	166,765	916,380	1,949,976	4,665,181
Indirect Institutional Support	32,856	-	-	-	-	1,916,983	1,949,839
Guarantees	350,000	90,000	-	-	25,000	-	465,000
Contributions (Note 2)	9,069,473	1,427,460	18,616	173,503	1,171,105	353,825	12,213,982
In-Kind	69,250	8,750	-	7,500	-	99,944	185,444
Compensation and Benefits by 3rd Party	-	-	-	-	-	-	-
Media Rights (Note 5)	20,199,384	3,561,793	-	-	-	-	23,761,177
NCAA Distributions (Note 4&5)	-	1,547,208	-	9,843	36,090	1,872,916	3,466,057
Pac-12 Distributions (Note 5)	8,597,944	40,478	30,081	-	-	199,410	8,867,913
Program, Novelty, Parking, & Concessions Sales (Note 6)	362,045	-	-	-	43,019	1,353,430	1,758,494
Royalties, Licensing, Advertisement & Sponsorships (Note 7)	8,201,746	1,566,345	133,825	72,441	883,807	1,292,754	12,150,918
Sports Camps (Note 11)	105,689	129,805	147,598	88,767	816,350	-	1,288,209
Endowment and Investment Income	25	14	32	17	204	283,556	283,848
Other Operating Revenue	51,635	500	-	-	45,514	1,298,119	1,395,768
Bowl Revenues	1,164,270	-	-	-	-	-	1,164,270
Total revenues	65,696,292	10,744,981	501,295	1,135,257	4,051,434	17,397,436	99,526,695
EXPENSES:							
Student Aid (Note 3)	4,198,583	643,788	684,924	622,308	5,822,679	372,432	12,344,714
Guarantees	800,000	570,745	90,000	-	206,294	-	1,667,039
Salaries and Benefits	11,933,708	5,593,293	1,362,778	1,111,690	4,779,573	10,777,441	35,558,483
Severance Payments	-	-	23,964	49,273	37,075	1,162,512	1,272,824
Recruiting	1,117,281	183,305	183,343	99,307	397,847	-	1,981,083
Team Travel	2,398,410	695,369	416,740	305,348	2,650,772	27,538	6,494,177
Equipment, Uniforms & Supplies	1,466,463	200,442	140,474	215,024	1,203,183	1,028,812	4,254,398
Game Expenses (Note 8)	931,701	449,572	218,161	206,893	512,036	350,331	2,668,694
Fund Raising, Marketing & Promotion	511,631	152,702	22,260	65,479	127,044	1,302,740	2,181,856
Sports Camps (Note 11)	75,777	33,863	63,966	28,647	170,856	-	373,109
Spirit Groups	-	-	-	-	-	457,855	457,855
Facilities, Debt Service, Leases & Rental Fees (Note 9)	1,930,664	29,750	17,000	6,000	210,360	4,644,345	6,838,119
Direct Overhead & Admin Expenses	94,968	38,995	21,415	16,813	93,069	1,220,640	1,485,900
Indirect Institutional Support	32,856	-	-	-	-	1,916,983	1,949,839
Medical Expenses & Insurance	337,988	40,237	52,366	31,692	493,673	306,257	1,262,213
Memberships & Dues	3,154	2,478	725	1,487	73,780	77,412	159,036
Student Athlete Meals	784,652	66,466	29,709	23,761	172,768	253,717	1,331,073
Other Operating Expenses (Note 10)	1,971,272	513,038	97,280	167,073	309,566	8,189,422	11,247,651
Bowl Expenses	2,472,451	-	-	-	-	-	2,472,451
Total Expenses	31,061,559	9,214,043	3,425,105	2,950,795	17,260,575	32,088,437	96,000,514
Excess (Deficit) Revenues over Expenses	34,634,733	1,530,938	(2,923,810)	(1,815,538)	(13,209,141)	(14,691,001)	3,526,181
Transfers, Net In/(Out)	-	-	-	(29,802)	2,500	294,500	267,198
Change in Net Assets	\$ 34,634,733	\$ 1,530,938	\$ (2,923,810)	\$ (1,845,340)	\$ (13,206,641)	\$ (14,396,501)	\$ 3,793,379

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

University of Utah
Intercollegiate Athletic Department
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Statement of Revenues and Expenses (Statement) presents the results of financial activity of the University of Utah's Athletic Department and has been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles except for the following:

- Direct Institutional Support Revenues and Athletic Student Aid Expenses have not been reduced for scholarship allowances of \$2,773,037.
- Tuition waivers have been reported as Direct Institutional Support and Athletic Student Aid Expense.
- Contribution revenues are recognized in the Statement when both received and used, as required by NCAA, rather than when pledged or received.
- Debt service payments paid by the University for athletic-related debt have been reported as Indirect Institutional Support Revenue and Athletic facilities debt service expense.
- Debt service payments paid by Athletic endowment donations for Athletic related debt have been reported as Athletic endowment income and Athletic facilities debt service expense as required by NCAA.

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, Spence & Cleone Eccles Football Center, and Jon M. & Karen Huntsman Basketball 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 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, student wellness, 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

University of Utah
Intercollegiate Athletic Department
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2019

allocated based on the 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, 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. CONTRIBUTIONS

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

The donations deposited to the Crimson Club accounts were allocated 85% to football and 15% to men's basketball. All sport specific donations are allocated accordingly.

In-Kind Contributions include: dealer provided automobiles, equipment, goods, and services.

3. DIRECT INSTITUTIONAL SUPPORT

Direct Institutional Support includes facilities, general and administrative, and Title IX support. The Department receives state funds as tuition waivers such as: Title 53, special, and continuing scholarships. These waivers, totaling \$2,773,037, are included as revenue under Direct Institutional Support and subsequently expensed under Student Aid.

4. NCAA DISTRIBUTIONS

NCAA distributions include NCAA sport sponsorships, NCAA grant-based aid, Student Athlete Opportunity Fund subsidies, academic enhancements, NCAA reimbursements for post season participation, and any NCAA distributions that pass through the Pac-12 Conference.

5. PAC-12 DISTRIBUTIONS / MEDIA RIGHTS

The Statement includes gross distributions from the Pac-12 conference during fiscal year 2019, which are reported on the "Pac-12 Distributions" and "Media Rights," "NCAA Distributions," and "Bowl" revenue line items, for NCAA reporting purposes. It also

University of Utah
Intercollegiate Athletic Department
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2019

includes conference expenses in their respective expense category (i.e. game officials, bowl expense sharing, etc). When the revenue is netted with these, the Department received a net distribution of \$29,972,757 from the Pac-12 conference during fiscal year 2019. The University also booked and accrued a receivable in the amount of \$3,333,333. Media rights received from the Pac-12 conference were allocated 85% to football and 15% to men's basketball.

6. PROGRAM, NOVELTY, PARKING, AND CONCESSIONS SALES

Concessions are operated by Auxiliary Services. A memorandum of understanding between Auxiliary Services and Athletics states that they are to share 50% of net profits for Athletic related events. For fiscal year 2019, the money transferred to Athletics was \$224,574.

7. ROYALTIES, LICENSING, ADVERTISEMENT, AND SPONSORSHIPS

Licensing and University Campus Store merchandise sales are allocated 85% to football and 15% to men's basketball.

According to the contract, Learfield Communications retains all rights to local media and corporate sponsorships for University athletics. The financial agreement to obtain these rights for fiscal year 2019 was a guaranteed payment of \$6,620,446. The payment was allocated 85% to football and 15% to men's basketball.

Under Armour (UA) is the exclusive outfitter of the Department. Per contractual agreement, UA paid the Department \$1,010,000. An additional payment of \$190,000 was also received for being football Pac-12 south division champions, participating in a football Bowl game, appearing in the volleyball NCAA tournament, and winning a skiing national championship. A product allowance of \$2,421,686 was also received.

8. GAME EXPENSES

Game Expenses include the cost of officials expensed through the conference office as a deduction from the University's year-end revenues. The total for fiscal year 2019 was \$628,599.

9. FACILITIES, DEBT SERVICE, LEASES, AND RENTAL FEES

The Department paid \$2,193,774 in facility rent and fees for use of the Rice-Eccles Stadium and its suites, the Jon M. Huntsman Center, Smith's Ballpark, and the lacrosse field at Judge Memorial Catholic High School during fiscal year 2019. A portion of these costs are associated with miscellaneous facility agreements and one-time rentals.

The Department has assumed the annual bond payment for the Spence & Cleone Eccles Football Center. In fiscal year 2019, the annual debt service totaled \$2,051,675. As of June 30, 2019,

University of Utah
Intercollegiate Athletic Department
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2019

the Department had \$19,320,000 of outstanding Series 2012 Auxiliary and Campus Facilities Revenue Bonds for the Spence & Cleone Eccles Football Center. The Department anticipates the bond will be paid off as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2020	1,090,000	957,525	2,047,525
2021	1,145,000	903,025	2,048,025
2022	1,205,000	845,775	2,050,775
2023	1,265,000	785,525	2,050,525
2024	1,330,000	722,275	2,052,275
2025-2029	7,705,000	2,545,875	10,250,875
2030-2032	5,580,000	567,000	6,147,000
	<u>\$ 19,320,000</u>	<u>\$ 7,327,000</u>	<u>\$ 26,647,000</u>

The Department has also assumed the annual bond payment for the Jon M. and Karen Huntsman Basketball Training Center. In fiscal year 2019, the annual debt service totaled \$1,792,490. As of June 30, 2019, the Department had \$22,879,132 of outstanding debt for the Jon M. and Karen Huntsman Basketball Training Center. The Department anticipates the bond will be paid off as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2020	840,968	951,522	1,792,490
2021	873,440	919,050	1,792,490
2022	907,214	885,276	1,792,490
2023	942,342	850,148	1,792,490
2024	978,878	813,612	1,792,490
2025-2029	4,635,596	3,497,210	8,132,806
2030-2034	5,458,694	2,466,706	7,925,400
2035-2039	6,721,540	1,203,856	7,925,396
2040	1,520,460	64,620	1,585,080
	<u>\$ 22,879,132</u>	<u>\$ 11,652,000</u>	<u>\$ 34,531,132</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 Department's revenues. Additional information related to these bonds is available in the University's separately-issued financial statements.

University of Utah
Intercollegiate Athletic Department
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2019

10. OTHER OPERATING EXPENSES

Other Expenses include miscellaneous operating expenses such as, Pac-12 conference bowl game expense sharing (\$1,106,393), Pac-12 conference operating expenses (\$2,194,718), and Independent Contractors/Consultants (\$3,087,015).

11. SPORTS CAMPS

The Department maintains sports camps in-house. The profit earned from the sports camps are paid to Department coaches as compensation upon completion of the camp. Revenues from the sports camps are recognized in the Statement when earned and expenses are recognized when incurred.

12. CAPITAL ASSETS

As described in the University's separately issued financial statements, capital assets are recorded at historical cost or acquisition 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. ATHLETICS RESERVES

In addition to the statement of revenue and expenses, the Athletic Department has included other pertinent information to further illustrate its current financial condition. This information can be found in the table below.

In the first few years of being a member of the Pac-12 Conference, the Athletic Department did not receive a full revenue share. However, it was evident that expenses would need to increase in order to compete at a high level with its new peers. Recognizing that in the first few years expenses would climb faster than revenues, the Athletic Department assumed a loan from the University to subsidize its budget for fiscal years 2012 and 2013. The Athletic Department borrowed roughly \$7.5M but has made payments reducing that debt since fiscal year 2014. The current balance on that loan is listed as the Operating Fund Balance (\$3,595,066).

The Athletics Reserves include facility and sport specific contributions, which are not recognized in the statement. This is in accordance with the NCAA's definition to only include contributions that are provided and used by athletics within that reporting year. The additional unrestricted reserves were originally established in fiscal year 2015 in order to offset

University of Utah
Intercollegiate Athletic Department
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2019

additional costs associated with current and future autonomy or NCAA legislation. For example: the cost of attendance legislation, new recruiting rules, more meals for student athletes, etc. The facility reserves are for assistance in subsidizing future debt payments and/or R&R projects in our facilities.

		Men's	Women's		Other	Non-Sport	
	Football	Basketball	Basketball	Gymnastics	Sports (Note 1)	Specific (Note 1)	Total
Operating Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,595,066)	\$ (3,595,066)
Capital Expenditures	142,371	70,130	-	176,625	3,481,969	801,559	4,672,654
Athletics Reserves:							
Unrestricted Reserves						7,766,197	7,766,197
Facility Restricted Reserves						20,351,562	20,351,562
Sport Restricted Reserves	228,879	474,594	(49,458)	32,228	619,661	293,329	1,599,234
Total Reserves							29,716,993
Value of Endowments	-	-	-	-	-	7,787,742	7,787,742

UNIVERSITY OF UTAH
INTERCOLLEGIATE ATHLETICS DEPARTMENT

Auditor's Analysis of Significant Variances
For the Year Ended June 30, 2019

Comparison of Current Year Actual to Prior Year Actual:

	<u>2019</u> <u>Totals</u>	<u>2018</u> <u>Totals</u>	<u>Variance \$</u> <u>Over/(Under)</u>	<u>Variance %</u> <u>Over/(Under)</u>
REVENUES:				
Contributions	12,213,982	9,486,096	2,727,886	28.76% ^A
Media Rights	23,761,177	22,481,167	1,280,010	5.69%
Royalties, Licensing, Advertisement & Sponsorships	12,150,918	9,927,600	2,223,318	22.40% ^B
EXPENSES:				
Student Aid	12,344,714	10,894,082	1,450,632	13.32% ^C
Salaries and Benefits	35,558,483	31,872,531	3,685,952	11.56% ^D
Other Operating Expenses	11,247,651	10,969,075	278,576	2.54%

Explanations for Variances:

- A The increase in Contributions can be attributed to a donation received to fund the newly created Lacrosse team, a newly required donation for certain Football tickets, and recognition of contributions relating to completion of construction projects.
- B The increase in Royalties, Licensing, Advertisements & Sponsorships can be attributed to increased guaranteed revenue from their contract with Learfield Communications, a partial settlement from Outfront, and an increase in in-kind sponsorship from Under Armour.
- C The increase in Student Aid expense can be attributed to student aid for the new Lacrosse program, increased international students, and an increase in graduate student athletes.
- D The increase in Salaries and Benefits is due to the addition of another Assistant Football Coach, the Head Football Coach's contract extension, and the addition of the Lacrosse Program.