

# SOUTHERN UTAH UNIVERSITY

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Intercollegiate Athletics Program  
Agreed-Upon Procedures Report  
For the Year Ended June 30, 2018

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Report No. 18-33



## OFFICE OF THE STATE AUDITOR

### AUDIT LEADERSHIP:

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



OFFICE OF THE  
**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's) 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, 2018. 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 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 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 Intercollegiate Athletics Program are the same as those addressed in connection with the audit of the University's financial statements for June 30, 2018. Our sample sizes were limited to 5 items each for 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 Intercollegiate Athletics Program. All booster group activity is under the accounting control of the University; therefore we did not perform any additional procedures.

*Statement of Revenues and Expenses Agreed-Upon Procedures*

D. We obtained the Intercollegiate Athletics Program's Statement of Revenues and Expenses (the Statement) for the year ended June 30, 2018, 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 and budget estimates. 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 matters 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 identified \$1,000,000 in institutional support that was initially reported as "Direct State Support." Because the funding was not appropriated directly to the Intercollegiate Athletics Program, the Statement was adjusted to properly reflect this funding as "Direct Institutional Support."

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

Revenue Procedures:

**Guarantees**

1. Because the University did not use settlement reports in fiscal year 2018, we did not select a sample of 3 settlement reports for away games during the reporting period to agree to the University's general ledger and/or the Statement and recalculated totals.
2. We selected a sample of 3 contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger and/or the Statement and recalculated totals.

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

Expense Procedures:

**Recruiting**

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

**Team Travel**

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

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

*Additional Agreed-Upon Procedure*

- F. 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). We found no exceptions as a result of these procedures.
- G. We obtained the University's Sports Sponsorship and Demographics Forms Report for the reporting year and validated that the countable sports reported by the University met the minimum requirements set forth in Bylaw 20.9.6.3 for 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.
- H. 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. The initial MFRS submission included 1 student and \$5,920 in Pell Grants not reported on the University's financial aid records. The final MFRS submission was adjusted to match the University's financial aid records.

Except as noted above, we found no exceptions as a result of these additional 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 an 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 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 State Auditor*

Office of the State Auditor  
January 15, 2019

**Southern Utah University**  
**Intercollegiate Athletics Program**  
**Statement of Revenues and Expenses**  
**For the Year Ended June 30, 2018**

	Administration	Men's Basketball	Football	Other Sports	Total
<b>Revenues:</b>					
Ticket Sales	\$ -	\$ 25,673	\$ 160,874	\$ 36,152	\$ 222,699
Direct State Support	-	-	-	-	-
Student Fees	-	105,459	529,583	904,877	1,539,919
Direct Institutional Support (Note C)	2,133,551	724,839	2,264,008	3,694,327	8,816,725
Indirect Institutional Support (Note C)	1,226,082	-	-	-	1,226,082
Guarantees	-	360,000	552,160	56,640	968,800
Contributions	133,976	100	116,893	53,879	304,848
In-Kind	133,769	-	2,400	22,074	158,243
Media Rights	18,500	-	-	-	18,500
NCAA Distributions	-	60,868	305,661	522,271	888,800
Concessions	5,966	-	-	-	5,966
Royalties, Licensing & Sponsorships	572,267	-	-	-	572,267
Other Revenues	30,490	-	181	17,140	47,811
<b>Total Revenues</b>	<b>4,254,601</b>	<b>1,276,939</b>	<b>3,931,760</b>	<b>5,307,360</b>	<b>14,770,660</b>
<b>Expenses:</b>					
Financial Aid (Note A)	-	335,151	1,630,301	2,785,631	4,751,083
Guarantees	-	16,500	-	5,705	22,205
Coaching Compensation, University	-	458,049	863,686	1,403,791	2,725,526
Support Staff Compensation, University	1,674,036	24,310	98,193	77,586	1,874,125
Recruiting	-	72,736	52,741	96,536	222,013
Team Travel	242,707	243,230	526,482	1,003,989	2,016,408
Uniforms and Supplies	135,185	43,878	166,371	277,800	623,234
Game Expenses	-	97,758	89,405	101,662	288,825
Fund Raising, Marketing & Promotion	99,420	-	-	-	99,420
Athletic Facilities Debt Service, Leases & Rental Fees (Note F)	46,850	-	-	-	46,850
Indirect Institutional Support	1,226,082	-	-	-	1,226,082
Medical Expenses & Insurance	234,078	-	-	-	234,078
Memberships & Dues	57,710	4,020	12,366	20,008	94,104
Other Expenses	1,065,101	29,185	58,330	85,633	1,238,249
<b>Total Expenses</b>	<b>4,781,169</b>	<b>1,324,817</b>	<b>3,497,875</b>	<b>5,858,341</b>	<b>15,462,202</b>
Excess (Deficiency) of Revenues over Expenses	<b>\$ (526,568)</b>	<b>\$ (47,878)</b>	<b>\$ 433,885</b>	<b>\$ (550,981)</b>	<b>\$ (691,542)</b>
Net Increase (Decrease) in Net Position					<b>\$ (691,542)</b>

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

**Southern Utah University**  
Intercollegiate Athletics Program  
Notes to Statement of Revenues and Expenses  
For the Year Ended June 30, 2018

A. Basis of Presentation

The accompanying Statement of Revenues and Expenses (the Statement) has been prepared on the accrual basis of accounting except for the following items:

- Financial aid expenses include scholarship allowances in the amount of \$184,965;
- Tuition waivers have been reported as direct institutional support revenue and financial aid expense;
- Gifts or contributions are recognized in the Statement when both received and used, rather than when promised or received;
- Debt service of athletic-related debt is expensed when paid rather than when incurred.

The purpose of the Statement is to present a summary of the financial activity of the Intercollegiate Athletics Programs of Southern Utah University (University) for the year ended June 30, 2018. 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

Direct 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. Allocations for scholarships, tuition waivers, and financial aid are also included.

Additionally, the University incurs expenses for accounting, payroll, physical plant, and other general administrative costs, including depreciation, that benefit the Intercollegiate Athletics Program. These costs have been allocated to the Intercollegiate Athletics Program and are reported in the Statement as "Indirect Institutional Support" as revenue and an offsetting expense.

D. Contributions

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. Also, there were no significant changes to endowments for the Intercollegiate Athletics Program during the year ended June 30, 2018.

**Southern Utah University**  
Intercollegiate Athletics Program  
Notes to Statement of Revenues and Expenses  
For the Year Ended June 30, 2018

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 historical cost or at acquisition 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 (\$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 \$100,000 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 began accumulating beginning June 1, 2012, at 2.26 percent annually. Principal and interest payments in the amount of \$125,000 are 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.

During fiscal year 2018, the Intercollegiate Athletics Program did not pay any principal or interest toward this internal loan nor did it transfer the required \$60,000 into the Renewal and Replacement fund. The remaining balance on the loan at June 30, 2018 was \$337,071.

**Southern Utah University**  
 Intercollegiate Athletics Program  
 Auditor's Analysis of Significant Variances  
 For the Year Ended June 30, 2018

COMPARISON OF ACTUAL CURRENT YEAR TO ACTUAL PRIOR YEAR

	<u>2018 Totals</u>	<u>2017 Totals</u>	<u>Variance \$ Over/(Under)</u>	<u>Variance % Over/(Under)</u>
<b>Revenues</b>				
Student Fees	\$ 1,539,919	\$ 1,485,581	\$ 54,338	3.66%
Direct Institutional Support	8,816,725	6,273,064	2,543,661	40.55% <sup>A</sup>
<b>Expenses</b>				
Financial Aid	4,751,083	2,957,565	1,793,518	60.64% <sup>B</sup>
Coaching Compensation, University	2,725,526	2,595,661	129,865	5.00%
Support Staff Compensation, University	1,874,125	1,785,063	89,062	4.99%
Team Travel	2,016,408	1,716,853	299,555	17.45% <sup>C</sup>

COMPARISON OF ACTUAL TO BUDGET

	<u>2018 Totals</u>	<u>2018 Budget</u>	<u>Budget Variance \$ Over/(Under)</u>	<u>Budget Variance % Over/(Under)</u>
<b>Revenues</b>				
Student Fees	\$ 1,539,919	\$ 1,461,018	\$ 78,901	5.40%
Direct Institutional Support	8,816,725	6,463,643	2,353,082	36.40% <sup>A</sup>
<b>Expenses</b>				
Financial Aid	4,751,083	2,717,619	2,033,464	74.83% <sup>B</sup>
Coaching Compensation	2,725,526	N/A	N/A	N/A
Support Staff Compensation	1,874,125	N/A	N/A	N/A
Combined Coach and Staff Compensation	4,599,651	4,651,989	(52,338)	-1.13%
Team Travel	2,016,408	1,820,075	196,333	10.79% <sup>C</sup>

A Increased general state appropriations and institutional waivers provided by the University to the Intercollegiate Athletics Program were more than anticipated when establishing the budget.

B Variance is due to increases in aid granted to student athletes, primarily for Athletic Academic Performance Enhancement. See also the increase noted in A.

C The increase is due to the football team using more charter flights and all teams traveling farther and more frequently than in the previous years.