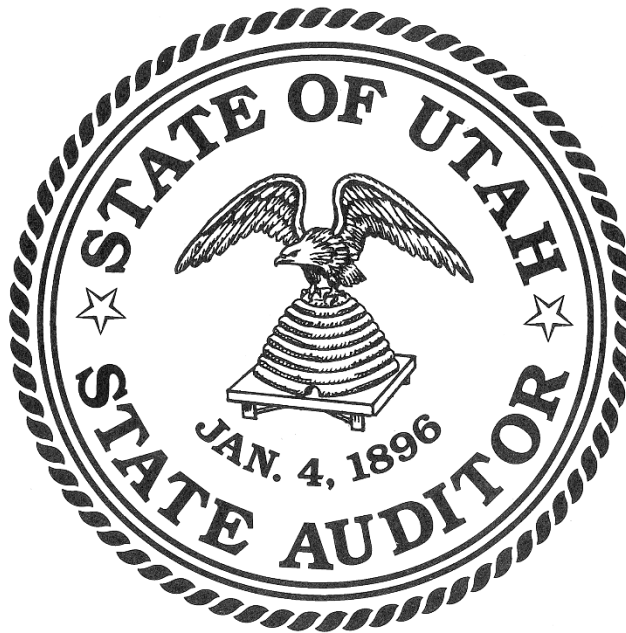


Utah State University

Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2021

Report No. 21-13



OFFICE OF THE STATE AUDITOR

Audit Leadership:

John Dougall, State Auditor
Doug Seager, CPA, Audit Director
Caleb Tindall, CPA, Audit Senior



OFFICE OF THE
STATE AUDITOR

Independent State Auditor's Report

To the Board of Trustees, Audit Committee,
and
Noelle E. Cockett, President
Utah State University

We have performed the procedures enumerated below, which were agreed to by Utah State University's management, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (the Statement) of the University's Athletic Department (Department) is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.17 for the year ended June 30, 2021. 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 Department. As part of this review, we reviewed the organization of the Department. 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 Department are the same as those addressed in connection with the audit of the University's financial statements for June 30, 2021. Our sample sizes were limited to 5 items each for cash receipts, payroll, and non-payroll transactions. We noted an opportunity for improvement in the ticket office for the handling of cash receipts. Currently, one person opens the mail to gather cash receipts and, without a separate verification of the received cash, delivers the receipts to the cashier to be entered into the system. We recommend a second person be present when mail is opened, a mail log of the cash receipts be prepared, and a third person (without access to the cash receipts) reconcile the log to the receipts entered into the system.

- 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 Department. 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 Department's Statement of Revenues and Expenses (the Statement) for the year ended June 30, 2021, 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 Athletics 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 and Men's Basketball and recalculated totals.

Student Fees

2. We compared and agreed student fees reported by the University in the Statement for the reporting period to student enrollments during the same reporting period and recalculated totals.

Direct Institutional Support

3. We compared the direct institutional support recorded by the University during the reporting period with institutional supporting budget transfers documentation, FY21 NCAA Waivers, Transactions, and Manual Adjustments Spreadsheets and recalculated totals.

Contributions

4. We obtained and reviewed supporting documentation for each contribution of moneys, goods, or services received directly by the Department from any affiliated or outside organization, agency, or group of individuals (two or more) that constituted 10% or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting period and recalculated totals.

Conference Distributions and Conference Distributions of Bowl-Generated Revenue

5. We obtained and inspected agreements related to the University's conference distributions and to participation in revenues from tournaments during the reporting period for relevant terms and conditions.
6. We compared and agreed the related revenues to the University's general ledger and/or the Statement and recalculated totals.

We found no exceptions as a result of these procedures.

Expense Procedures:

Athletic Student Aid

7. We selected 32 student athletes, representing 10% of student athletes receiving aid, from the listing of University student aid recipients during the reporting period.
8. 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.
9. We performed a check to ensure the information for each student selected was accurately reported in the NCAA's CA software using the criteria listed in the NCAA 2021 Agreed-Upon Procedures Guide.
10. We recalculated totals for each sport and overall.

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

11. We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period. We selected a sample of 8 coaches which represents 10% of the coaches' contracts that included football, and men's and women's basketball from the listing.
12. 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.
13. 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.
14. We compared and agreed the totals recorded to any employment contracts executed for the sample selected and recalculated totals.

Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities

15. We selected a sample of 19 employees which represents 10% of the support staff/administrative personnel employed by the University and related entities during the reporting period.
16. We obtained and inspected reporting period payroll summary registers for each selection. We compared and agreed related payroll summary registers to the related support staff/ administrative salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the Statement during the reporting period and recalculated totals.

We found no exceptions as a result of these procedures.

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. The variance between years was less than +/- 4%.

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. There were no variances between years.

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 compared the current year Pell Grants total to the prior year reported total per the Membership Financial Report submission. The variance between years was less than +/- 20 grants.

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 accompanying Statement's compliance with NCAA Bylaw 3.2.4.17. 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

January 5, 2022

Utah State University
Athletics Department
Statement of Revenues and Expenses
For the Year Ended June 30, 2021

	Football	Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:					
1 Ticket sales	\$103,261	\$220,021	\$17,587	\$2,152	\$343,021
2 Direct state or other govt support	0	0	23,498	1,612,222	1,635,720
3 Student fees	0	0	0	5,351,243	5,351,243
4 Direct institutional support	1,093,850	1,314,289	3,450,979	7,595,234	13,454,352
5 Less - Transfers to institution	0	0	0	0	0
6 Indirect institutional support revenue	568,449	336,398	0	1,170,209	2,075,056
6A Indirect institutional support - Athletic facilities debt service, lease and rental fees	0	0	0	2,722,724	2,722,724
7 Guarantees	0	0	0	0	0
8 Contributions	1,556,471	406,204	150,315	1,507,526	3,620,516
9 In-kind contributions	117,709	31,906	13,282	92,738	255,635
10 Compensation & benefits provided by a third party	300,000	168,750	0	0	468,750
11 Media rights	0	0	0	2,594,766	2,594,766
12 NCAA distributions	0	0	0	1,137,535	1,137,535
13 Conference distributions	0	449,608	0	1	449,609
13A Conference Distributions of Bowl	1,069,879	0	0	0	1,069,879
14 Program, novelty, parking and concession sales	0	0	0	9,024	9,024
15 Royalties, licensing, advertisement and sponsorships	0	0	0	287,985	287,985
16 Sports camp revenues	0	0	0	0	0
17 Athletics restricted endowment and investment income	40,309	31,327	40,699	112,290	224,625
18 Other operating revenue	13,629	1,065,155	320	61,871	1,140,975
19 Bowl revenues	0	0	0	0	0
Total operating revenue	4,863,557	4,023,658	3,696,680	24,257,520	36,841,415
Operating expenses:					
20 Athletic student aid	2,803,967	522,811	3,372,065	93,356	6,792,199
21 Guarantees	0	42,296	6,312	0	48,608
22 Coaching salaries, benefits, & bonuses paid by the University	3,982,785	1,894,579	2,883,863	0	8,761,227
23 Coaching other compensation & benefits paid by a third party	300,000	168,750	0	0	468,750
24 Support staff salaries, benefits & bonuses paid by the University	180,560	44,776	52,051	4,571,287	4,848,674
25 Support staff other compensation & benefits paid by a third party	0	0	0	0	0
26 Severance payments	457,530	50,633	68,965	16,087	593,215
27 Recruiting	47,086	20,260	47,552	0	114,898
28 Team travel	375,333	477,438	982,125	151	1,835,047
29 Sports equipment, uniforms & supplies	505,834	125,387	375,586	175,476	1,182,283

Utah State University
Athletics Department
Statement of Revenues and Expenses
For the Year Ended June 30, 2021

30 Game expenses	157,283	162,184	187,932	0	507,399
31 Fund raising, marketing & promotion	6,190	12,083	4,153	227,427	249,853
32 Sports camp expenses	0	0	0	0	0
33 Spirit groups	0	0	0	0	0
34 Athletic facilities debt service, leases & rental fees	1,970,057	199,311	248,716	1,758,262	4,176,346
35 Direct overhead & admin expenses	65,882	4,489	56,671	506,095	633,137
36 Indirect institutional support expense	568,449	336,398	0	1,170,209	2,075,056
37 Medical expenses & insurance	1,263	16,217	2,130	768,958	788,568
38 Memberships & dues	0	4,995	11,019	418,610	434,624
39 Student-athlete meals (non-travel)	234,833	33,228	47,240	185,804	501,105
40 Other operating expenses	399,200	359,067	87,596	1,190,347	2,036,210
41 Bowl expenses	0	0	0	0	0
41A Bowl expenses - Coaching compensation/bonuses	0	0	0	0	0
Total operating expenses	12,056,252	4,474,902	8,433,976	11,082,069	36,047,199
Excess/(deficiency) of revenues over/(under) expenses	(\$7,192,695)	(\$451,244)	(\$4,737,296)	\$13,175,451	\$794,216
Other reporting items:					
50 Excess transfer to institution	0	0	0	0	0
51 Conference realignment expenses	0	0	0	0	0
52 Total athletics related debt	0	0	0	40,875,752	40,875,752
53 Total institutional debt	0	0	0	339,761,561	339,761,561
54 Value of athletics dedicated endowments	0	0	0	6,357,092	6,357,092
55 Value of institutional endowments	0	0	0	510,466,253	510,466,253
56 Total Athletics related capital expenditures	0	0	0	0	0

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

Utah State University
Athletic Department
Notes to Statement of Revenues and Expenses
For the Year Ended June 30, 2021

Accrual Basis - The accompanying Statement of Revenues and Expenses (Statement) presents the results of financial activity of Utah State University'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.
- 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, rather than when pledged or received, as required by the NCAA.
- 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, as required by the NCAA.
- Debt service payments paid by Athletic endowment distributions for Athletic related debt have been reported as Athletic endowment income and Athletic facilities debt service expense, as required by the NCAA.
- Debt service payments and supplementary information for internal loan programs are reported on this statement, as required by the NCAA.

Capital Assets - The University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletic-related capital assets is the same as for all University capital assets. For management purposes and accountability, assets have been capitalized and depreciation expense recorded to distribute costs over the useful life of the assets.

Capital assets are recorded at cost at date of acquisition, or fair market value at the date of donation in the case of gifts.

The University capitalizes all equipment with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Buildings costing \$250,000 or more are capitalized, as are improvements to buildings costing \$250,000 or more that extend the useful life of the building. Improvements other than buildings costing \$250,000 and purchased softwares costing \$100,000 or more are capitalized when acquired.

The University computes depreciation using the straight-line composite method over the estimated useful life of the assets. The estimated useful lives are as follows: buildings 10-40 years, improvements other than buildings 5-20 years, equipment 3-15 years, and purchased software 5-10 years.

Revenue Allocation - Revenues from operations have been allocated to the activity generating the income. Gifts and investment income have been allocated based on management decisions of the Athletic Department.

Student fee revenue was allocated 100% to Non-Program Specific activities.

Utah State University
Athletic Department
Notes to Statement of Revenues and Expenses
For the Year Ended June 30, 2021

The state appropriations were allocated through direct institutional support based on the actual payments made in support of Football, Basketball, Other Sports, and Non-Program Specific activities.

Revenues received during a given fiscal year but not expended are carried forward for use by the Athletic Department in future fiscal years.

Sports Accounting - The major sports, which include men's football and basketball, 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 support all sports have been combined for reporting purposes under the caption "Non-Program Specific".

Indirect Institutional Support Revenue - Indirect facilities and administrative support includes overhead not charged directly to the athletic department. These charges include operation and maintenance expenses for athletic related buildings allocated to units based on square footage and an institutional support expense allocated based on total salaries, wages, and benefits of the Athletic Department. Of the \$2,075,056 in indirect support, \$1,170,302 is operation and maintenance expense for the athletic facilities and \$904,754 is institutional support expense.

Athletic Department Debt - The principal balance of all external Athletic Department debt is \$33,543,000 and all internal debt Athletic Department debt is \$7,332,752 at June 30, 2021. The internal debt includes a loan from the University to the Department as part of the Maverik Stadium renovations. The Department debt service payments are satisfied as previously-pledged contributions are received. The external debt includes a portion of the Series 2013B and 2017 bonds for the Wayne Estes Center in the amount of \$8,043,000, the 2015 Building bonds for the Stadium in the amount of \$21,595,000, Series 2013 bonds for the Stadium/Spectrum in the amount of \$3,905,000. In fiscal year 2021, annual external debt service payments totaled \$3,722,724 of which \$2,664,287 was related to facilities and \$1,058,437 was related to equipment. Of the \$3,722,724 of total external debt service, the institution paid \$2,722,724 and the Athletic department paid \$1,000,000.

Utah State University
Athletic Department
Notes to Statement of Revenues and Expenses
For the Year Ended June 30, 2021

The Wayne Estes Center and Stadium/Spectrum Bonds are secured by a pledge of student building fees. Amounts due on external bonds and contracts payable in future years are as follows:

Utah State University							
Amounts Due on Bonds and Contracts Payable - Related to Athletics							
As of June 30, 2021							
Fiscal Year	Wayne Estes Center Bonds		Stadium Spectrum Bonds		Stadium Bonds		External
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2022	210,000	272,051	735,000	92,537	525,000	834,544	2,669,132
2023	218,000	264,065	765,000	66,663	550,000	808,190	2,671,918
2024	225,000	254,119	780,000	51,044	580,000	780,565	2,670,728
2025	240,000	242,431	805,000	34,084	610,000	751,440	2,682,955
2026-2030	1,385,000	1,027,194	820,000	15,375	3,400,000	3,407,013	10,054,582
2031-2035	1,635,000	776,194			3,995,000	2,801,825	9,208,019
2036-2040	1,905,000	508,024			4,795,000	2,000,388	9,208,412
2041-2045	2,225,000	179,631			5,830,000	960,568	9,195,199
2046					1,310,000	48,033	1,358,033
	<u>\$8,043,000</u>	<u>\$3,523,709</u>	<u>\$3,905,000</u>	<u>\$259,703</u>	<u>\$21,595,000</u>	<u>\$12,392,566</u>	<u>\$49,718,978</u>

Contributions and Major Non-Operating Activities - The Athletic Department received contributions from Cache Valley Electric Company and Jim & Carol Laub Family Foundation in the amount of \$619,800 which is greater than ten percent of the total gift revenue from groups of two or more individuals. There were no significant changes to endowments for Intercollegiate Athletics during the year ended June 30, 2021. Contributions of \$940,724 were received in the University's endowment, plant, and agency funds for the benefit of the Athletic Department and have not been reported in this statement. Total contributions received by the University for the benefit of the Athletic Department are as follows:

Contributions reported on Statement of Revenues and Expenditures	\$3,876,151
Contributions received in the University's endowment and plant funds	\$940,724
	<hr/>
Total contributions	<u>\$4,816,875</u>

Utah State University
Athletic Department
Auditor's Analysis of Significant Variances
For the Year Ended June 30, 2021

	FY 2021	FY 2020	Variance \$	Variance %
	Totals	Totals	Increase/ (Decrease)	Increase/ (Decrease)
Operating Revenues				
Student Fees	5,351,243	4,981,252	369,991	7.4%
Direct Institutional Support	13,454,352	13,199,682	254,670	1.9%
Operating Expenses				
Athletics Student Aid	6,792,199	6,407,250	384,949	6.0%
Coaching salaries, benefits, etc. paid by the University	8,761,227	8,225,426	535,801	6.5%
Support staff salaries, benefits, etc. paid by the University	4,848,674	4,634,429	214,245	4.6%
Athletic facilities debt service, leases & rental fees	4,176,346	4,579,481	(403,135)	-8.8%