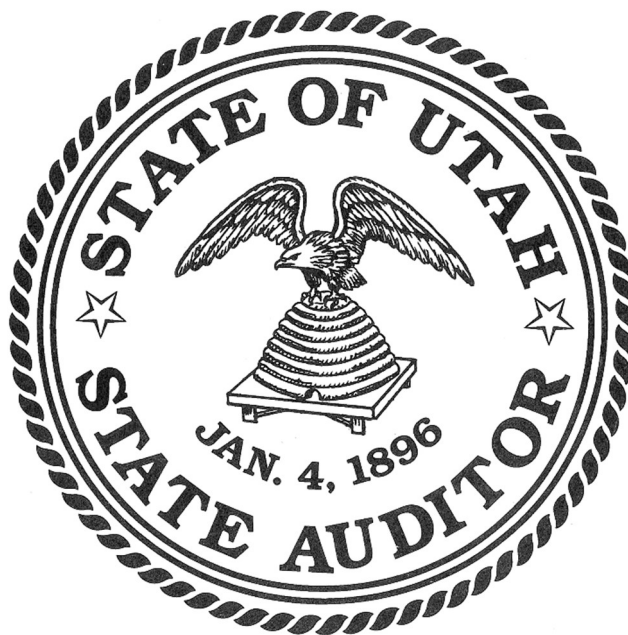


Utah State University

Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2022

Report No. 22-23



OFFICE OF THE STATE AUDITOR

Audit Leadership:

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



OFFICE OF THE
STATE AUDITOR

Independent 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 on Utah State University's (University) compliance with the National Collegiate Athletic Association (NCAA) 2022 *Agreed-upon Procedures Guide* (Guide) for the year ended June 30, 2022. University management is responsible for compliance with the Guide.

Utah State University has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in evaluating whether the University complied with the Guide for the year ended June 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the associated findings are as follows:

Internal Control Agreed-upon Procedures

- A. We reviewed the general control environment for the Athletic Department (Department). As part of this review, we reviewed its organization. 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, 2022. 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 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 Athletic Department's Statement of Revenues and Expenses (the Statement) for the year ended June 30, 2022, 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 1).
 - 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 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 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, FY22 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) not included above (e.g., contributions by corporate sponsors) 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.

Football Bowl Revenues

7. We obtained and inspected agreements related to the University's revenues from post-season bowl participation during the reporting period to gain an understanding of the 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.

We found no exceptions greater than \$100,000 as a result of these procedures.

Expense Procedures:

Athletic Student Aid

9. We selected 30 student athletes, representing 10% of student athletes receiving aid, from the listing of University student aid recipients during the reporting period.
10. 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.
11. 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 2022 Agreed-Upon Procedures Guide.
12. We recalculated totals for each sport and overall.

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

13. We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period. We selected a sample of 6 coaches, which represents 10% of the coaches' contracts, that included football, and men's and women's basketball from the listing.
14. 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.
15. 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.
16. 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

17. We selected a sample of 22 support staff which represents 10% of the support staff/administrative personnel employed by the University and related entities during the reporting period.
18. 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 greater than \$100,000 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.

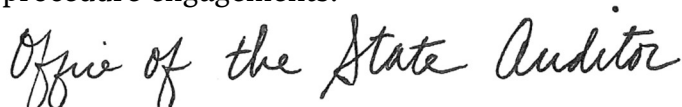
H. Pell Grants:

- 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 engaged by the University to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. An agreed-upon procedures engagement involves 1) performing specific procedures that the University has agreed to and acknowledged to be appropriate for the intended purpose of the engagement, and 2) reporting on findings based on the procedures performed. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the University's compliance with the NCAA's *2022 Agreed-upon Procedures Guide* for the year ended June 30, 2022. 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.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to agreed-upon procedure engagements.



Office of the State Auditor
Salt Lake City, Utah
January 11, 2023

Utah State University
Athletic Department
Statement of Revenues and Expenses
For the Year Ended June 30, 2022

	Football	Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:					
1 Ticket sales	\$ 1,821,319	\$ 758,321	\$ 28,261	\$ 110,926	\$ 2,718,827
2 Direct state or other govt support	-	-	187,611	-	187,611
3 Student fees	-	-	-	4,508,014	4,508,014
4 Direct institutional support	976,051	1,693,718	3,484,384	9,958,703	16,112,856
5 Less - Transfers to institution	-	-	-	-	-
6 Indirect institutional support revenue	526,781	290,538	-	1,046,619	1,863,938
6A Indirect institutional support - Athletic facilities debt service, lease and rental fees	-	-	-	1,669,132	1,669,132
7 Guarantees	350,000	110,000	28,500	-	488,500
8 Contributions	3,161,127	366,851	117,590	2,446,348	6,091,916
9 In-kind contributions	199,746	61,331	30,451	96,271	387,799
10 Compensation & benefits provided by a third party	465,000	150,887	-	-	615,887
11 Media rights	-	-	-	3,215,667	3,215,667
12 NCAA distributions	-	-	-	909,596	909,596
13 Conference Distributions (Non Media and Non Football Bowl)	12,301	326,841	-	35,987	375,129
13A Conference Distributions of Football Bowl Generated Revenue	1,631,216	-	-	-	1,631,216
14 Program, novelty, parking and concession sales	-	-	-	95,899	95,899
15 Royalties, licensing, advertisement and sponsorships	-	-	-	452,209	452,209
16 Sports camp revenues	-	-	-	-	-
17 Athletics restricted endowment and investment income	27,545	32,660	40,503	98,611	199,319
18 Other operating revenue	7,384	2,758	1,159	786,089	797,390
19 Football Bowl revenues	836,934	-	-	-	836,934
Total operating revenue	\$ 10,015,404	\$ 3,793,905	\$ 3,918,459	\$ 25,430,071	\$ 43,157,839
Operating expenses:					
20 Athletic student aid	\$ 2,846,249	\$ 491,224	\$ 3,577,379	\$ 89,038	\$ 7,003,890
21 Guarantees	400,000	303,594	17,817	-	721,411
22 Coaching salaries, benefits, & bonuses paid by the University and Related Entities	4,629,574	2,119,731	2,940,739	-	9,690,044
23 Coaching other compensation & benefits paid by a third party	465,000	150,887	-	-	615,887
24 Support staff salaries, benefits & bonuses paid by the University and Related Entities	231,308	19,869	99,099	4,995,369	5,345,645

Utah State University
Athletic Department
Statement of Revenues and Expenses
For the Year Ended June 30, 2022

	Football	Basketball	Other Sports	Non-Program Specific	Total
25 Support staff other compensation & benefits paid by a third party	-	-	-	-	-
26 Severance payments	-	-	-	-	-
27 Recruiting	316,233	141,785	311,118	-	769,136
28 Team travel	874,656	644,160	2,032,245	-	3,551,061
29 Sports equipment, uniforms & supplies	587,828	127,167	496,191	311,330	1,522,516
30 Game expenses	451,146	259,541	394,691	59,060	1,164,438
31 Fund raising, marketing & promotion	66,726	20,643	18,982	337,537	443,888
32 Sports camp expenses	-	-	-	-	-
33 Spirit groups	-	-	-	16,000	16,000
34 Athletic facilities debt service, leases & rental fees	1,359,544	-	85,393	2,153,955	3,598,892
35 Direct overhead & admin expenses	76,410	6,496	41,645	651,950	776,501
36 Indirect institutional support expense	496,443	290,538	-	1,046,619	1,833,600
37 Medical expenses & insurance	228	76	7,459	773,135	780,898
38 Memberships & dues	2,468	4,598	16,122	549,833	573,021
39 Student-athlete meals (non-travel)	399,762	30,541	70,882	253,275	754,460
40 Other operating expenses	312,815	172,752	167,375	1,889,584	2,542,526
41 Football Bowl expenses	826,588	-	-	-	826,588
41A Football Bowl expenses - Coaching compensation/bonuses	263,445	-	-	-	263,445
Total operating expenses	14,606,423	4,783,602	10,277,137	13,126,685	42,793,847
Excess/(deficiency) of revenues over/(under) expenses	<u>\$ (4,591,019)</u>	<u>\$ (989,697)</u>	<u>\$ (6,358,678)</u>	<u>\$ 12,303,386</u>	<u>\$ 363,992</u>
Other reporting items:					
50 Excess transfer to institution	-	-	-	-	-
51 Conference realignment expenses	-	-	-	-	-
52 Total athletics related debt	-	-	-	38,799,045	38,799,045
53 Total institutional debt	-	-	-	339,864,840	339,864,840
54 Value of athletics dedicated endowments	-	-	-	7,715,253	7,715,253
55 Value of institutional endowments	-	-	-	512,439,247	512,439,247
56 Total Athletics related capital expenditures	30,338	-	-	-	30,338

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, 2022

A. 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.

B. 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. Leased assets are recorded at the present value of payments expected to be made during the lease term.

Utah State University
Athletic Department
Notes to Statement of Revenues and Expenses
For the Year Ended June 30, 2022

C. 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.

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.

D. 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".

E. 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 \$1,863,938 in indirect support, \$1,096,162 is operation and maintenance expense for the athletic facilities and \$767,776 is institutional support expense.

F. Athletic Department Debt

The principal balance of all external Athletic Department debt is \$32,073,000 and all internal Athletic Department debt is \$6,726,045 at June 30, 2022. The external debt includes a portion of the Series 2013B and 2017 bonds for the Wayne Estes Center in the amount of \$7,833,000, the 2015 Building bonds for the Stadium in the amount of \$21,070,000, Series 2013 bonds for the Stadium/Spectrum in the amount of \$3,170,000. In fiscal year 2022, annual external debt service payments totaled \$2,669,132 all of which was related to facilities. Of total external debt service, the institution paid \$1,669,132 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, 2022

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 - Related to Athletics
As of June 30, 2022

Fiscal Year	Wayne Estes Center Bonds		Stadium Spectrum Bonds		Stadium Bonds		External Total
	Principal	Interest	Principal	Interest	Principal	Interest	
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	250,000	230,140	820,000	15,375	640,000	721,881	2,677,396
2027	265,000	217,202			660,000	702,631	1,844,833
2028-2032	1,495,000	919,577			3,615,000	3,185,379	9,214,956
2033-2037	1,740,000	674,756			4,285,000	2,510,302	9,210,058
2038-2042	2,020,000	384,855			5,185,000	1,609,917	9,199,772
2043-2047	1,380,000	64,512			4,945,000	487,717	6,877,229
	<u>\$7,833,000</u>	<u>\$3,251,657</u>	<u>\$3,170,000</u>	<u>\$167,166</u>	<u>\$21,070,000</u>	<u>\$11,558,022</u>	<u>\$47,049,845</u>

G. 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 \$855,052 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, 2022. Contributions of \$1,570,096 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	\$6,479,715
Contributions received in the University's endowment and plant funds	\$1,570,096
Total contributions	<u>\$8,049,811</u>

Utah State University
Athletic Department
Auditor's Analysis of Significant Variances
For the Year Ended June 30, 2022

Exhibit 1

	FY 2022	FY 2021	Variance \$ Increase/ (Decrease)	Variance % Increase/ (Decrease)	
Operating Revenues	Totals	Totals	(Decrease)	(Decrease)	
Student fees	4,508,014	5,351,243	(843,229)	-15.8%	A
Direct institutional support	16,112,856	13,454,352	2,658,504	19.8%	B
Contributions	6,091,916	3,620,516	2,471,400	68.3%	C
 Operating Expenses					
Athletics Student Aid	7,003,890	6,792,199	211,691	3.1%	
Coaching Salaries, Benefits, etc. paid by USU	9,690,044	8,761,227	928,817	10.6%	D
Support staff salaries, benefits, etc. paid by USU	5,345,645	4,848,674	496,971	10.2%	D

A) The decrease was due to changes that were made in the University Fee Structure.

B) Direct Institutional Support increased due to increasing operating expenses.

C) Contributions are made when purchasing season ticket packages, which decreased in FY21 due to Covid-19 restrictions. In FY22, contributions increased due to Covid-19 restrictions being lifted.

D) This increase is due to contracted employees having annual increases in their contracts.