



OFFICE OF THE
STATE AUDITOR



◦ STATE OF UTAH ◦

University of Utah

Intercollegiate Athletic Department

Agreed-Upon Procedures

Report No. 23-15

For the year ended June 30, 2023

January 11, 2024

Office of the State Auditor

Audit Leadership:

John Dougall, State Auditor

Doug Seager, CPA, Audit Director

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OFFICE OF THE
STATE AUDITOR

Independent Auditor's Report

To the Board of Trustees, Audit Committee,
and
Taylor R. Randall, President
University of Utah

We have performed the procedures enumerated below on the University of Utah's (University) compliance with the National Collegiate Athletic Association (NCAA) *2023 Agreed-upon Procedures Guide* (Guide) for the year ended June 30, 2023. University management is responsible for compliance with the Guide.

The University of Utah 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, 2023. 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 Intercollegiate 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, 2023. 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 Department's Statement of Revenues and Expenses (the Statement) for the year ended June 30, 2023, 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 Department.

Revenue Procedures:

1. *In-Kind*

We compared the in-kind donations recorded by the University during the reporting period with a schedule of in-kind donations and recalculated totals.

2. *NCAA Distributions*

We compared the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculated totals.

3. *Athletics Restricted Endowment and Investment Income*

- a. We obtained and inspected endowment agreements for relevant terms and conditions.
- b. We compared and agreed 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.

4. *Football Bowl Revenues*

- a. 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.
- b. 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:

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

- a. We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period. We selected a sample of 9 coaches, representing 10% of coaches' contracts that include football, and men's and women's basketball from the listing.
- b. 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.
- c. 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.
- d. We compared and agreed the totals recorded to any employment contracts executed for the sample selected and recalculated totals.

6. *Coaching Salaries, Benefits, and Bonuses Paid by a Third Party*

- a. We obtained and inspected a listing of coaches employed by third parties during the reporting period that included only 2 coaches. We reviewed both of the coaches in accordance with the steps below.

- b. We compared and agreed the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the University in the Statement during the reporting period.
- c. We obtained and inspected reporting period payroll summary registers for each selection. We compared and agreed related payroll summary registers to the coaching other compensation and benefits paid by a third-party recorded by the University in the Statement during the reporting period and recalculated totals.

7. Recruiting

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

8. Sports Camp Expenses

We obtained general ledger detail and compared to the total expenses reported. We selected a sample of 5 transactions to validate the existence of and accuracy in recording the transactions and recalculated totals.

9. Student-Athlete Meals (non-travel)

We obtained general ledger detail and compared it to the total expenses reported. We selected a sample of 5 transactions to validate the existence of and accuracy in recording the transactions and recalculated totals.

10. Football Bowl Expenses

Obtain general ledger detail and compare it to the total expenses reported. We selected a sample of 5 transactions to validate the existence of and accuracy in recording the transactions and recalculated totals.

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

Other Reporting Items

11. Total Athletics Related Debt

- a. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculated annual maturities (consisting of principal and interest) provided in the schedules obtained.

- b. We agreed the total annual maturities and total outstanding athletics related debt to supporting documentation and the University's general ledger, as applicable.

12. Total Athletics Related Capital Expenditures

- a. We obtained a schedule of athletics related capital expenditures made by athletics, the University, and affiliated organizations during the reporting period.
- b. We obtained general ledger detail and compared it to the total expenses reported. We selected a sample of 5 transactions to validate the existence of and accuracy in recording the transactions 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 20.10.6.3 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 *2023 Agreed-upon Procedures Guide* for the year ended June 30, 2023. 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, 2024



**UNIVERSITY OF UTAH
ATHLETICS DEPARTMENT
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Football	Men's Basketball	Women's Basketball	Gymnastics	Other Sports (Note 1)	Non-Sport Specific (Note 1)	Total
REVENUES:							
Ticket Sales	\$ 10,010,659	\$ 1,585,987	\$ 221,202	\$ 697,067	\$ 317,627	\$ 8,645	\$ 12,841,187
Direct State or Other Gov't'l Support	-	-	-	-	-	-	-
Student Fees	1,688,829	178,949	145,396	167,764	3,936,873	-	6,117,811
Direct Institutional Support (Note 3)	4,295,266	2,994,600	286,202	341,134	2,204,635	51,954	10,173,791
Indirect Institutional Support	110,098	-	-	-	-	1,744,750	1,854,848
Guarantees	500,000	-	-	-	25,723	-	525,723
Contributions (Note 2)	29,501,425	3,939,476	173	88,853	826,646	43,311	34,399,884
In-Kind	128,000	68,840	-	45,210	-	257,769	499,819
Compensation and Benefits by 3rd party	1,500,000	800,000	-	-	-	-	2,300,000
Media Rights (Note 5)	18,560,761	3,275,428	-	-	-	-	21,836,189
NCAA Distributions (Note 4 & Note 5)	-	1,426,917	102,673	16,650	107,988	1,990,170	3,644,398
Pac-12 Distributions (Note 5) Program, Novelty, Parking, & Concessions Sales (Note 6)	12,195,490	472,830	35,956	-	-	-	12,704,276
Royalties, Licensing, Advertisement & Sponsorships (Note 7)	8,968,708	1,508,035	192,211	40,459	879,076	608,378	12,196,867
Sports Camps (Note 11)	94,430	118,310	173,431	92,198	628,202	-	1,106,571
Endowment and Investment Income	301,388	53,179	-	-	-	(98,234)	256,333
Other Operating Revenue	-	-	-	-	2,793	880,661	883,454
Bowl Revenues	3,179,842	-	-	-	-	-	3,179,842
Total revenues	\$ 92,544,582	\$ 16,566,192	\$ 1,157,244	\$ 1,526,158	\$ 8,968,525	\$ 5,493,590	\$ 126,256,291
EXPENSES:							
Student Aid (Note 3)	\$ 4,366,510	\$ 661,296	\$ 696,398	\$ 610,987	\$ 6,611,647	\$ 521,144	\$ 13,467,982
Guarantees	900,000	673,800	148,500	-	150,061	-	1,872,361
Salaries and Benefits	19,248,398	4,143,173	2,136,438	1,234,510	6,198,436	13,188,825	46,149,780
Severance Payments	356,466	3,054,938	-	17,889	-	123,218	3,552,511
Recruiting	1,279,108	224,214	156,849	115,825	497,779	-	2,273,775
Team Travel	2,419,919	730,032	495,537	442,765	3,361,421	146,193	7,595,867
Equipment, Uniforms & Supplies	1,670,770	199,484	142,709	183,204	1,376,153	1,727,752	5,300,072
Game Expenses (Note 8)	1,338,736	571,769	329,693	178,955	552,681	452,449	3,424,283
Fund Raising, Marketing & Promotion	1,035,590	49,921	11,256	76,989	176,502	1,131,307	2,481,565
Sports Camps (Note 11)	62,168	40,050	124,798	44,699	135,780	-	407,495
Spirit Groups	-	-	-	-	-	563,709	563,709
Facilities, Debt Service, Leases & Rental Fees (Note 9)	9,768,543	1,823,990	18,000	6,000	211,000	-	11,827,533
Direct Overhead & Admin Expenses	96,421	7,285	-	9,141	44,009	1,572,648	1,729,504
Indirect Institutional Support	110,098	-	-	-	-	1,744,750	1,854,848
Medical Expenses & Insurance	423,492	45,469	39,788	45,341	555,313	(957,551)	151,852
Memberships and Dues	5,171	1,495	2,320	-	113,490	59,278	181,754
Student Athlete Meals	910,443	82,713	24,187	27,985	187,953	209,015	1,442,296
Other Operating Expenses (Note 10)	3,003,435	463,690	188,894	261,506	1,339,772	10,070,883	15,328,180
Bowl Expenses	4,848,117	-	-	-	-	-	4,848,117
Total Expenses	\$ 51,843,385	\$ 12,773,319	\$ 4,515,367	\$ 3,255,796	\$ 21,511,997	\$ 30,553,620	\$ 124,453,484
Change in Net Assets	\$ 40,701,197	\$ 3,792,873	\$ (3,358,123)	\$ (1,729,638)	\$ (12,543,472)	\$ (25,060,030)	\$ 1,802,807

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

Notes to Statement of Revenues and Expenses for the Year Ended June 30, 2023

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 \$2,939,379.
- 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 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 athletics department adjusted the methodology of collecting and accounting for revenue associated with football and basketball season tickets. The allocation of the cost for season tickets was adjusted such that a larger portion was allocated to contributions rather than ticket sales.

Donations deposited to the Crimson Club general fund account 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 in the form of tuition waivers: Title 53, special, and continuing scholarships. These waivers, totaling \$2,939,379, 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 of \$38,184,864 from the Pac-12 conference during fiscal year 2023. These funds are reported on the “Pac-12 Distributions,” “Media Rights,” and “NCAA Distributions” revenue line items, for NCAA reporting purposes. The Statement also includes conference expenses in their respective expense category (i.e. game officials, bowl expense sharing, etc). The department received a net distribution of \$32,125,392. The total net distribution received was lower than expected due to the Pac-12 conference receiving overpayments from a tv rights partner for multiple years. This resulted in reduced revenue distributions for all conference members in FY23. Media rights received from the Pac-12 conference were allocated 85% to football and 15% to men’s basketball.

6. PROGRAM, NOVELTY, PARKING & 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 2023, the money transferred to Athletics was \$81,617.

7. ROYALTIES, LICENSING, ADVERTISEMENT & SPONSORSHIPS

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

Learfield Communications retains all rights to local media and corporate sponsorships for the athletics department. The financial agreement to obtain these rights for fiscal year 2023 was a guaranteed payment of \$6,797,535. Athletics received a payment in the amount of \$6,797,535 of which was allocated 85% to football and 15% to men’s basketball.

Under Armour (UA) is the exclusive apparel outfitter of the Department. Per contractual agreement, UA paid the Department \$460,000. An additional payment of \$555,000 was also received for winning the conference championship and appearing in post season play for specific sports, such as football, women’s basketball, men’s lacrosse, women’s softball, and men’s tennis. A product allowance of \$2,568,750 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 2023 was \$781,434.

9. FACILITIES, DEBT SERVICE, LEASES & RENTAL FEES

The Department paid \$1,623,584 in facility rent and fees for use of the Rice-Eccles Stadium and the Jon M. Huntsman Center during fiscal year 2023. 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 2023, the annual debt service totaled \$2,050,525. As of June 30, 2023, the Department had \$14,615,000 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>
2024	1,330,000	722,275	2,052,275
2025	1,395,000	655,775	2,050,775
2026	1,465,000	586,025	2,051,025
2027	1,535,000	512,775	2,047,775
2028	1,615,000	436,025	2,051,025
2029-2032	7,275,000	922,275	8,197,275
	<u>\$ 14,615,000</u>	<u>\$ 3,835,150</u>	<u>\$ 18,450,150</u>

The Department has also assumed the annual bond payment for the Jon M. and Karen Huntsman Basketball Training Center. In fiscal year 2023, the annual debt service totaled \$1,792,490. As of June 30, 2023, the Department had \$19,786,339 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>
2024	960,610	831,880	1,792,490
2025	997,880	794,609	1,792,489
2026	932,944	755,841	1,688,785
2027	867,046	718,033	1,585,079
2028	903,896	681,184	1,585,080
2029-2033	5,129,423	2,795,975	7,925,398
2034-2038	6,316,097	1,609,300	7,925,397
2039-2041	3,678,443	284,256	3,962,699
	<u>\$ 19,786,339</u>	<u>\$ 8,471,078</u>	<u>\$ 28,257,417</u>

The Department has also assumed the annual bond payment for the Ken Garff Red Zone at Rice Eccles Stadium. In fiscal year 2023, the annual debt service totaled \$5,349,934. As of June 30, 2023, the Department had \$66,370,000 of outstanding debt for the Ken Garff Red Zone. The Department anticipates the bond will be paid off as follows:

Fiscal Year	Principal	Interest	Total Payments
2024	2,605,000	2,742,808	5,347,808
2025	2,740,000	2,609,183	5,349,183
2026	2,880,000	2,468,683	5,348,683
2027	3,030,000	2,320,933	5,350,933
2028	3,185,000	2,165,558	5,350,558
2029-2033	18,550,000	8,203,416	26,753,416
2034-2038	23,025,000	3,726,120	26,751,120
2039-2040	10,355,000	349,928	10,704,928
	\$ 66,370,000	\$ 24,586,629	\$ 90,956,629

An internal loan from the University for the Rice-Eccles Stadium scoreboard is paid in part by the Department. In fiscal year 2023, the annual debt service totaled \$800,000. As of June 30, 2023, the Department's portion of outstanding debt for the Rice-Eccles Stadium scoreboard was \$433,967.

Fiscal Year	Principal	Interest	Total Payments
2024	433,967	13,019	446,986
	\$ 433,967	\$ 13,019	\$ 446,986

These outstanding bonds and loans 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 the bonds is available in the University's separately issued financial statements.

10. OTHER OPERATING EXPENSES

Other Expenses include miscellaneous operating expenses such as, Pac-12 conference bowl game expense sharing (\$1,432,564), Pac-12 conference operating expenses (\$2,764,417), Independent Contractors/Consultants (\$3,519,065), and Alston Award payments (\$758,499).

11. SPORT 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.

The Athletics Department currently has a negative fund balance of (\$33,840,898). This is due to impact Covid had in FY21 and an internal loan that was provided to athletics upon entrance into the Pac-12. The Athletics Department continues to work closely with campus in managing this debt.

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 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.

	<u>Football</u>	<u>Men's Basketball</u>	<u>Women's Basketball</u>	<u>Gymnastics</u>	<u>Other Sports (Note 1)</u>	<u>Non-Sport Specific (Note 1)</u>	<u>Total</u>
Operating Fund Balance	-	-	-	-	-	(33,840,898)	(33,840,898)
Capital Expenditures	1,000,635	-	-	950,729	359,882	105,525	2,416,771
Athletics Reserves:							
Unrestricted Reserves						21,479,919	21,479,919
Facility Restricted Reserves						32,706,326	32,706,326
Sport Restricted Reserves	<u>304,180</u>	<u>533,902</u>	<u>41,406</u>	<u>150,154</u>	<u>1,849,015</u>	<u>1,170,683</u>	<u>4,049,338</u>
Total Reserves							58,235,583
Value of Endowments	-	-	-	-	-	9,532,599	9,532,599

Auditor's Analysis of Significant Variances for the Year Ended June 30, 2023**Exhibit 1****Comparison of Current Year Actual to Prior Year Actual:**

	2023	2022	Variance \$	Variance %	
	Totals	Totals	Over/(Under)	Over/(Under)	
REVENUES:					
Ticket Sales	\$ 12,841,187	\$ 15,286,818	(2,445,631)	-16.00%	A
Contributions	34,399,884	28,501,715	5,898,169	20.69%	B
Media Rights	21,836,190	27,847,134	(6,010,944)	-21.59%	C
Pac 12 Distributions	12,704,275	9,484,885	3,219,390	33.94%	F
EXPENSES:					
Student Aid	13,467,982	12,813,550	654,432	5.11%	
Salaries and Benefits	46,149,779	40,287,842	5,861,937	14.55%	D
Other Operating Expenses	15,328,180	13,179,389	2,148,791	16.30%	E

Explanations for Variances:

- A** FY22 ticket sales included part of FY21 sales that were deferred due to COVID-19 pandemic. FY23 did not include any deferralment of sales and is a normal year.
- B** The increase in FY23 contributions was a result of both expanded fundraising efforts as well as a need to use more contribution reserves to offset the athletics operating budget net deficit.
- C** Athletics received a reduction in media rights/TV distribution revenues in FY23 due to the Pac-12 Conference incorrectly receiving overpayments from TV media partners over a multiyear period. Therefore, to offset the overpayments, the Pac-12 Conference decided to withhold the total overpaid amount over a two-year period beginning in FY23. The total withheld payments were split among all Pac-12 member institutions.
- D** Salaries and benefits increased due to football coaches receiving scheduled pay increases as well as performance bonuses for coaches across multiple sports during the FY23 season.
- E** Alston Award Payments are new to the NCAA Revenue and Expense report for FY23 as well as, there was an increase in Pac-12 conference deductions that added to the year-over-year increase.
- F** PAC-12 increase was due to a change in the methodology of how internal conference deductions are applied. Instead of manually reducing the revenues for the deductions, the deductions will be allocated in the conference expenditures going forward.