



OFFICE OF THE  
STATE AUDITOR



◦ STATE OF UTAH ◦

# Utah State University

## Athletic Department

### Agreed-Upon Procedures

Report No. 23-12

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For the year ended June 30, 2023

January 8, 2024

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#### 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  
Elizabeth R. Cantwell, 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) *2023 Agreed-upon Procedures Guide* (Guide) for the year ended June 30, 2023. 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, 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 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 Athletic 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 Program.

### Revenue Procedures:

#### 1. *Ticket Sales*

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.

#### 2. *Student Fees*

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.

### 3. *Direct Institutional Support*

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

### 4. *Contributions*

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.

### 5. *Conference Distributions and Conference Distributions of Football Bowl Generated Revenue (13 and 13A)*

- a. 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.
- 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:**

### 6. *Athletic Student Aid*

- a. We selected a sample of 29 student athletes, representing 10% of student athletes receiving aid, from the listing of University student aid recipients during the reporting period.
- b. 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.
- c. 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 Guide.
- d. We recalculated totals for each sport and overall.

### 7. *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 7 coaches' contracts, 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.

8. *Support Staff/Administrative Compensation, Benefits, and Bonuses Paid by the University and Related Entities*

- a. We selected a sample of 10 support staff/administrative personnel employed by the University and related entities during the reporting period.
- b. 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 20.10.6.3 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*

Office of the State Auditor  
Salt Lake City, Utah  
January 8, 2024

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

	Football	Basketball	Other Sports	Non-Program Specific	Total
<b>Operating revenues:</b>					
1 Ticket sales	\$1,473,610	\$849,552	\$46,374	\$89,577	\$2,459,113
2 Direct state or other govt support	-	-	162,880	-	162,880
3 Student fees	-	-	-	4,490,695	4,490,695
4 Direct institutional support	770,509	1,754,275	3,889,409	11,154,337	17,568,530
5 Less - Transfers to institution	-	-	-	-	-
6 Indirect institutional support revenue	5,792,950	522,713	36,119	1,219,497	7,571,279
6A Indirect institutional support - Athletic facilities debt service, lease and rental fees	-	-	-	1,901,646	1,901,646
7 Guarantees	2,085,000	30,000	50,804	-	2,165,804
8 Contributions	2,627,415	465,935	95,056	2,550,579	5,738,985
9 In-kind contributions	128,849	66,601	127,512	67,527	390,489
10 Compensation & benefits provided by a third party	700,000	-	-	-	700,000
11 Media rights	-	-	-	3,335,247	3,335,247
12 NCAA distributions	-	-	-	1,130,103	1,130,103
13 Conference Distributions (Non Media and Non Football Bowl)	-	485,094	-	136,167	621,261
13A Conference Distributions of Football Bowl Generated Revenue	1,422,607	-	-	-	1,422,607
14 Program, novelty, parking and concession sales	-	-	-	101,024	101,024
15 Royalties, licensing, advertisement and sponsorships	-	-	-	485,677	485,677
16 Sports camp revenues	-	-	-	-	-
17 Athletics restricted endowment and investment income	28,820	34,699	42,965	157,902	264,386
18 Other operating revenue	6,091	1,000	4,934	277,254	289,279
19 Football Bowl revenues	990,700	-	-	-	990,700
Total operating revenue	\$ 16,026,551	\$ 4,209,869	\$ 4,456,053	\$ 27,097,232	\$51,789,705
<b>Operating expenses:</b>					
20 Athletic student aid	\$3,158,184	\$487,169	\$3,918,106	\$65,249	\$7,628,708
21 Guarantees	590,000	232,000	24,137	-	846,137
22 Coaching salaries, benefits, & bonuses paid by the University and Related Entities	4,396,220	2,147,778	3,276,558	-	9,820,556
23 Coaching other compensation & benefits paid by a third party	775,000	-	-	-	775,000
24 Support staff salaries, benefits & bonuses paid by the University and Related Entities	252,700	10,756	82,894	5,139,550	5,485,900
25 Support staff other compensation & benefits paid by a third party	-	-	-	-	-
26 Severance payments	-	-	-	197,666	197,666
27 Recruiting	441,768	168,621	332,249	-	942,638
28 Team travel	1,116,664	834,464	2,255,128	-	4,206,256
29 Sports equipment, uniforms & supplies	488,673	116,702	657,550	197,095	1,460,020
30 Game expenses	553,304	341,490	324,097	160,320	1,379,211
31 Fund raising, marketing & promotion	44,661	24,354	34,198	423,498	526,711
32 Sports camp expenses	-	-	-	-	-
33 Spirit groups	-	-	-	16,000	16,000
34 Athletic facilities debt service, leases & rental fees	1,587,918	-	-	2,185,354	3,773,272
35 Direct overhead & admin expenses	58,378	15,588	159,444	589,808	823,218
36 Indirect institutional support expense	5,792,950	522,713	36,119	1,219,497	7,571,279
37 Medical expenses & insurance	2,758	461	3,612	942,945	949,776
38 Memberships & dues	1,250	425	27,539	585,918	615,132
39 Student-athlete meals (non-travel)	491,186	32,909	92,993	307,225	924,313
40 Other operating expenses	189,922	351,874	162,894	1,859,803	2,564,493
41 Football Bowl expenses	649,089	-	-	-	649,089
41A Football Bowl expenses - Coaching compensation/bonuses	234,170	-	-	-	234,170
Total operating expenses	\$ 20,824,795	\$ 5,287,304	\$11,387,518	\$ 13,889,928	\$51,389,545
Excess/(deficiency) of revenues over/(under) expenses	(\$4,798,244)	(\$1,077,435)	(\$6,931,465)	\$13,207,304	\$400,160
<b>Other reporting items:</b>					
50 Excess transfer to institution	\$ -	\$ -	\$ -	\$ -	\$ -
51 Conference realignment expenses	-	-	-	-	-
52 Total athletics related debt	-	-	-	44,499,045	44,499,045
53 Total institutional debt	-	-	-	403,850,610	403,850,610
54 Value of athletics dedicated endowments	-	-	-	8,100,307	8,100,307
55 Value of institutional endowments	-	-	-	538,407,668	538,407,668
56 Total Athletics related capital expenditures	4,536,036	-	71,202	127,835	4,735,073

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

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

**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 software 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.

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 \$2,128,326 in indirect support, \$1,096,119 is operation and maintenance expense for the athletic facilities and \$1,032,207 is institutional support expense.

**Athletic Department Debt** - The principal balance of all external Athletic Department debt is \$37,773,000 and all internal Athletic Department debt is \$6,118,554 at June 30, 2023. The external debt includes 2017 bonds for the Wayne Estes Center in the amount of \$7,615,000, the 2015 Building bonds for the Stadium in the amount of \$20,520,000, Series 2013 bonds for the Stadium/Spectrum in the amount of \$2,405,000, Series 2022 bonds for the Stadium in the amount of \$7,233,000. In fiscal year 2023, annual external debt service payments totaled \$2,901,646 all of which was related to facilities. Of total external debt service, the institution paid \$1,901,646 and the Athletic department paid \$1,000,000.

All external bond debt is 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, 2023									
Fiscal Year	Wayne Estes Center Bonds		Stadium Spectrum Bonds		Stadium Bonds		Stadium Bonds		External Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$225,000	\$254,119	\$780,000	\$51,044	\$580,000	\$780,565	\$421,000	\$246,419	\$3,338,147
2025	240,000	242,431	805,000	34,084	610,000	751,440	432,000	235,451	3,350,406
2026	250,000	230,140	820,000	15,375	640,000	721,881	444,000	223,540	3,344,936
2027	265,000	217,202			660,000	702,631	456,000	210,686	2,511,519
2028	280,000	203,515			680,000	682,710	470,000	197,013	2,513,238
2029-2033	1,540,000	871,606			3,735,000	3,064,423	2,584,000	745,236	12,540,265
2034-2038	1,795,000	621,316			4,445,000	2,350,548	2,426,000	232,148	11,870,012
2039-2043	2,085,000	319,164			5,390,000	1,401,834			9,195,998
2044-2048	935,000	28,099			3,780,000	293,800			5,036,899
	<u>\$7,615,000</u>	<u>\$2,987,592</u>	<u>\$2,405,000</u>	<u>\$100,503</u>	<u>\$20,520,000</u>	<u>\$10,749,832</u>	<u>\$7,233,000</u>	<u>\$2,090,493</u>	<u>\$53,701,420</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 \$865,688 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, 2023. Contributions of \$1,030,175 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	\$6,129,474
Contributions received in the University's endowment and plant funds	<u>\$1,030,175</u>
Total contributions	<u><u>\$7,159,649</u></u>

## Auditor's Analysis of Significant Variances for the Year Ended June 30, 2023

### Exhibit 1

		FY 2022	Variance \$	Variance %
	FY 2023 Totals	Totals	Increase/ (Decrease)	Increase/ (Decrease)
<b>Operating Revenues</b>				
Direct Institutional Support	\$ 17,568,530	\$ 16,112,856	\$ 1,455,674	9.0%
Indirect Institutional Support Revenue	7,571,279	1,863,938	5,707,341	306.2% <b>A</b>
Contributions	5,738,985	6,091,916	(352,931)	-5.8%
<b>Operating Expenses</b>				
Athletics Student Aid	\$ 7,628,708	\$ 7,003,890	\$ 624,818	8.9%
Coaching Salaries, Benefits, etc. paid by USU	9,820,556	9,690,044	130,512	1.3%
Support Staff Salaries, Benefits, etc. paid by USU	5,485,900	5,345,645	140,255	2.6%
Indirect Institutional Support Expense	7,571,279	1,833,600	5,737,679	312.9% <b>A</b>

**A)** The variance was caused by an increase in athletic facility improvements paid for by the University in FY23.