

# **University of Cincinnati**

Independent Accountant's Report on Applying Agreed-Upon Procedures  
Performed on the Intercollegiate Athletic Program as  
Required by NCAA Bylaw 3.2.4.15

June 30, 2017





# Dave Yost • Auditor of State

Board of Trustees  
University of Cincinnati  
51 Goodman Drive  
Cincinnati, Ohio 45221

We have reviewed the *Independent Accountant's Report on the Application of Agreed-upon Procedures* of the University of Cincinnati NCAA Report, Hamilton County, prepared by BKD, LLP, for the audit period July 1, 2016 through June 30, 2017.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The University of Cincinnati is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 22, 2017

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**University of Cincinnati**  
**June 30, 2017**

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Trustees  
University of Cincinnati  
Cincinnati, Ohio

We have performed the procedures enumerated below, which were agreed to by the management of the University of Cincinnati (University), solely to assist you with respect to evaluating whether the accompanying statement of revenues and expenses of the University is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.15 for the year ended June 30, 2017. The University is responsible for the statement of revenues and expenses ("Statement") and the Statement's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the 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 findings obtained are described below.

### Statement of Revenues and Expenses

1. We obtained the Statement, as prepared by the Department of Athletics of the University (Athletics), for the year ended June 30, 2017. We compared the revenue and expense amounts reported on the Statement which were greater than 4.0% of revenues or expenses, respectively, to the supporting schedules prepared by management of the University, noting they agreed without exception.
2. We compared a sample (see items 4-44 below) of operating revenue receipts and operating expenses obtained from the above operating revenue and expense supporting schedules to adequate supporting schedules. Excluding items 23 and 25 below, no exceptions were noted.
3. We compared each major revenue category greater than 10% of total revenues and each major expense category greater than 10% of total expenses on the Statement to prior year amounts and current year budgeted amounts. We obtained and documented an understanding of any significant variances (greater than a 10% change) from prior year amounts and current year budgeted amounts and noted the following:

### Actual Revenue and Expenses as Compared to Prior Year

- *Athletic Student Aid* – The 13.30% increase is primarily attributable to all sports now receiving a cost of attendance allowance.

## Actual Revenue and Expenses to Current Year Budget

- *Athletic Facilities Debt Service, Leases and Rental Fees* – The 80% increase is primarily attributable to debt payments funded by gifts which were pledged for the project which are not budgeted.

## Revenues

4. *Ticket Sales* – For football and men’s basketball ticket revenue, we compared the detail of tickets sold, complimentary tickets provided and unsold tickets for the year ended June 30, 2017, from the Paciolan ticketing system to the general ledger and related attendance figures without exception.
5. *Student Fees* – We inquired as to whether student fees are allocated to Athletics, and the University’s management represented there are no restricted student fee allocations from the University to Athletics. All allocations are unrestricted and reported as direct institutional support.
6. *Direct State or Other Governmental Support* – We inquired of the University’s management who represented there was no direct state or other governmental support during the year ended June 30, 2017.
7. *Direct Institutional Support* – We compared direct institutional support recorded by Athletics with institutional transfer authorizations held by the Controller’s Office of the University and noted no exceptions.
8. *Transfers Back to the Institution* – We inquired of the University’s management who represented there were no transfers back to the institution during the year ended June 30, 2017.
9. *Indirect Institutional Support* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
10. *Guarantees* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
11. *Contributions* – We obtained a list of contributions of all money, goods or services received directly by Athletics from individuals and other donors. We noted two individual transfers from an affiliate which were greater than 10%, however, there were no individual contributions above this threshold included within.
12. *In-Kind* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
13. *Compensation and Benefits Provided by a Third-Party* – We inquired of the University’s management as to whether Athletics received any revenues or contributions to specifically support compensation or benefits from outside organizations for the year ended June 30, 2017, and they represented there were no compensation or benefits provided by third parties.
14. *Media Rights* – We inquired of the University’s management who represented there was no media rights revenue during the year ended June 30, 2017.
15. *NCAA Distributions* – We compared the amounts recorded in the Statement to the summary of NCAA distributions and agreed to supporting documentation of the cash receipts without exception.



16. *Conference Distributions* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
17. *Program Sales, Concession, Novelty Sales and Parking* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
18. *Royalties, Licensing, Advertisements and Sponsorships* – We obtained and inspected agreements related to the University’s participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period and compared and agreed the related revenues to the Statement and recalculated the totals without exception.
19. *Sports Camps Revenues* – We inquired of the University’s management who represented there were no sports camp revenues during the year ended June 30, 2017.
20. *Athletics Restricted Endowment and Investment Income* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
21. *Other Operating Revenue* – We obtained supporting schedules for other operating revenue reported in the Statement, noting they agreed without exception.
22. *Bowl Revenues* – We inquired of the University’s management who represented there were no bowl revenues during the year ended June 30, 2017.

## **Expenses**

23. *Athletic Student Aid* – We recalculated totals from the NCAA Membership Financial Reporting System (System) for each sport and overall without exception. We also randomly selected 60 athletic students (20% of total student athletes receiving aid) from the University’s listing of student aid recipients and performed the following:
  - a. For each selection, we obtained individual student account detail and compared total aid allocated from the student account system to the amounts reported to the System, noting 6 of the 60 students tested had differences ranging from (\$150) to \$6,520.
  - b. For each selection, we performed a check of each student selected to determine their information was reported accurately in the System and noted three students whose full grant amount did not agree to internal documentation, resulting in differences in calculated equivalency values ranging from (0.31) to 0.04.
  - c. For each selection who received a Pell grant, we determined the value of the grant was not included in the calculation of equivalencies or the total dollar amount of student athletic aid. As the University’s reporting via the System is not due until January 2018, we were not able to determine if the students selected were included in the total number and total value of Pell Grants reported. However, we did determine that the students selected were included in the listing of Pell Grants awarded to athletes via the listing received from the University’s student financial aid system.
24. *Guarantees* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
25. *Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities* – We obtained a listing of coaches employed by the University and randomly selected five coaches (Michael Cronin, Larry Davis, Luke Fickell, Douglas Phillips and Jamelle Elliott) which included football, men’s basketball, and women’s basketball coaches. We compared and

- agreed the financial terms and conditions of their contracts, and compared the salaries and bonuses for each selection to the related coaching salaries, benefits and bonuses recorded in the Statement and noted no exceptions. We further inspected payroll summary registers for the year ended June 30, 2017, for each selection and agreed them to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the Statement. In one instance, BKD noted a \$720 difference between the contract amount and amount recorded by the University.
26. *Coaching Other Compensation and Benefits Paid by a Third Party* – We inquired of the University’s management, as to whether there were any coaching compensation or benefits paid by a third party and they represented there were no other compensation or benefits provided by third parties.
  27. *Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities* – We selected a sample of five support staff/administrative personnel employed by the University (Gregory Bruner, Jessica Mills, Jennifer Sturm, Blake Reid, Andrew Nagel), and compared the related salaries, benefits and bonuses paid by the University to the Statement and noted no exceptions.
  28. *Support Staff/Administrative Salaries, Benefits and Bonuses Paid by a Third Party* – We inquired of the University’s management as to whether there were any support staff/administrative salaries, benefits or bonuses paid by a third party and they represented there were no support staff/administrative compensation or benefits provided by third parties.
  29. *Severance Payments* – We noted this line item was below the prescribed testing threshold of 4%, thus no additional procedures were performed.
  30. *Recruiting* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
  31. *Team Travel* – We obtained the team travel policies for Athletics and compared them to the NCAA policies. No exceptions were noted. We obtained the supporting schedule for team travel expenses and agreed the amounts in the supporting schedules to the Statement, noting no exceptions.
  32. *Equipment, Uniforms, and Supplies* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
  33. *Game Expenses* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
  34. *Fund Raising, Marketing and Promotion* – We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected a sample of three transactions and agreed the expenses to the support without exception.
  35. *Sports Camp Expenses* – We inquired of the University’s management as to whether there were any expenses incurred for sport camps for the year ended June 30, 2017. The University’s management represented there were no expenses incurred for sports camps during the year ended June 30, 2017.
  36. *Spirit Groups* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
  37. *Athletic Debt Service, Leases and Rental Fees* – We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected the two largest transactions and agreed the expenses to support without exception.

38. *Direct Overhead and Administrative Expenses* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
39. *Indirect Allocated Institutional Support* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
40. *Medical Expenses and Medical Insurance* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
41. *Memberships and Dues* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
42. *Other Operating Expenses* – We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected the largest two transactions and agreed the expenses to support without exception.
43. *Student-Athlete Meals* – We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
44. *Bowl Expenses* - We inquired of the University’s management who represented there were no bowl expenses during the year ended June 30, 2017.

#### **Additional Minimum Agreed Upon Procedures**

45. We compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the University, noting no discrepancies.
46. We obtained the University’s Sports Sponsorship and Demographics Forms Report for the fiscal year and determined that the countable sports reported by the University met the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum contest requirement, noting no discrepancies.
47. Once countable sports were confirmed per number 46 above, we determined that the University has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System, noting no discrepancies.
48. We were unable to agree the total number of student-athletes who received a Pell Grant award during the academic year and the total value of these Pell Grants reported in the System to a report generated out of the University’s student financial aid system as the reporting via the System is not due until January 2018, and was not yet completed at the time the procedures were performed.

#### **Other Reporting Items**

49. *Excess Transfers to Institute and Conference Realignment Expenses* - We inquired of the University’s management who represented there were no conference realignment expenses during the year ended June 30, 2017.
50. *Total Athletics Related Debt* – We obtained the repayment schedules for all outstanding athletics debt during the reporting period and recalculated the annual maturities without exception. We also agreed the total annual maturities and total outstanding athletic related debt to supporting documentation and the University general ledger, without exception.
51. *Total Institutional Debt* – We agreed the total outstanding debt of the University to supporting documentation and the University’s audited financial statements, without exception.

52. *Value of Athletics Dedicated Endowments* – We obtained a schedule of all athletics dedicated endowments maintained by athletics, the University and affiliated organizations and agreed the fair market value in the schedule to supporting documentation, the general ledger and the audited financial statements, without exception.
53. *Value of Institutional Endowments* – We agreed the total fair market value of University endowments to supporting documentation, the University’s general ledger and the audited financial statements, without exception.
54. *Total Athletics Related Capital Expenditures* – We obtained a schedule of athletic related capital expenditures made by athletics, the University and affiliated organizations and compared the total expenses reported to the general ledger, without exception. We selected a sample of all University additions as part of the financial statement audit.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the specified elements, accounts and items described above or on compliance with the requirements noted above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

Cincinnati, Ohio  
October 13, 2017

**University of Cincinnati**  
**Statement of Revenues and Expenses**  
**For the Year Ended June 30, 2017**

							<b>Exhibit A</b>
	<b>Football</b>	<b>Men's Basketball</b>	<b>Women's Basketball</b>	<b>Other Men</b>	<b>Other Women</b>	<b>NonProgram-Specific</b>	<b>Total</b>
<b>Revenues</b>							
Ticket sales	\$ 4,670,546	\$ 2,718,652	\$ 4,454	\$ 27,168	\$ -	\$ -	\$ 7,420,820
Guarantees	350,000	-	-	7,300	300	-	357,600
Contributions	1,193,844	138,925	6,958	118,039	64,109	2,349,223	3,871,098
In-kind	-	-	-	-	-	147,976	147,976
Direct institutional support	-	-	-	-	-	23,848,726	23,848,726
Indirect facilities and administrative support	-	-	-	-	-	1,373,872	1,373,872
NCAA distributions	1,878,668	2,813,075	-	3,120	9,035	4,250,380	8,954,278
AAC Conference distributions	-	-	-	2,656	2,656	337,705	343,017
Program sales/concessions/novelty sales and parking	214,445	124,099	-	-	-	1,482,024	1,820,568
Royalties, licensing, advertising and sponsorships	-	-	-	-	-	6,706,715	6,706,715
Endowment and investment income	79,488	4,970	2,310	62,363	26,030	300,416	475,577
Other income	30,936	98,567	-	50,639	34,895	3,400,003	3,615,040
<b>Total Revenues</b>	<b>\$ 8,417,927</b>	<b>\$ 5,898,288</b>	<b>\$ 13,722</b>	<b>\$ 271,285</b>	<b>\$ 137,025</b>	<b>\$ 44,197,040</b>	<b>\$ 58,935,287</b>
<b>Expenses</b>							
Athletics student aid	\$ 2,888,551	\$ 418,517	\$ 575,523	\$ 1,138,318	\$ 2,390,301	\$ 378,435	\$ 7,789,645
Guarantees	690,000	580,000	131,160	21,250	3,500	-	1,425,910
Coaching salaries, benefits and bonuses paid by the University and related entities	5,827,349	3,819,685	1,042,048	913,301	1,757,182	6,598,056	19,957,621
Support staff/administrative salaries, benefits and bonuses paid by the University and related entities	401,030	64,987	46,423	7,814	4,353	90,978	615,585
Severance payments	1,911,844	-	-	100,000	-	-	2,011,844
Recruiting	398,061	166,851	116,519	76,226	148,367	-	906,024
Team travel	946,510	1,199,873	323,936	728,449	1,092,082	-	4,290,850
Equipment, uniforms and supplies	168,825	9,689	16,182	139,391	112,445	-	446,532
Game expenses	1,231,418	504,887	52,508	152,034	121,555	71,442	2,133,844
Fundraising, marketing and promotion	27,285	1,107	529	14,281	5,532	3,432,365	3,481,099
Athletic facilities debt service, leases and rental fees	2,742	-	-	3,452	6,605	10,386,805	10,399,604
Direct overhead and administrative expenses	63,311	81,096	342	19,883	2,366	664,444	831,442
Spirit groups	-	-	-	-	-	223,063	223,063
Indirect facilities and administrative support	-	-	-	-	-	1,373,872	1,373,872
Medical expenses and medical insurance	7,852	1,486	-	-	-	504,094	513,432
Memberships and dues	2,797	3,225	1,725	52,735	53,327	49,950	163,759
Student-athlete meals	255,660	42,722	24,158	65,582	49,833	53,157	491,112
Other operating expenses	668,558	76,137	75,599	114,780	113,580	3,177,491	4,226,145
<b>Total Expenses</b>	<b>\$ 15,491,793</b>	<b>\$ 6,970,262</b>	<b>\$ 2,406,652</b>	<b>\$ 3,547,496</b>	<b>\$ 5,861,028</b>	<b>\$ 27,004,152</b>	<b>\$ 61,281,383</b>

**University of Cincinnati**  
**Notes to Statement of Revenues and Expenses**  
**June 30, 2017**

1. Summary of Presentation Policies

The amounts in the accompanying statement of revenues and expenses were obtained from the University of Cincinnati's (University) general ledger, which is maintained on an accrual basis. All revenues and expenses directly related to various sports were disclosed as such, except items which were not applicable. The primary purpose of the agreed-upon procedures report is to ensure the president of the University is made aware of all financial activity (both internal and external) for athletics purposes and to assist the University in exercising control over the financial activity made by or on behalf of the intercollegiate athletics program.

2. Property, Plant and Equipment

All University assets are recorded at cost at date of acquisition, or market value at date of donation. The University's capitalization threshold is \$100,000 for major capital projects and intangible assets except for internally generated software which has a threshold of \$500,000. For all other items the capitalization threshold is \$5,000. Interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. The University and its blended component unit's property and equipment are depreciated using the straight-line method over the estimated useful lives (from three to fifty years) of the respective assets. When plant assets are sold or disposed of, the carrying value of such assets and the associated depreciation are removed from the University's records.

3. Repayment Schedule for Outstanding Debt

The repayment schedule as of June 30, 2017, for outstanding debt related to the Department of Athletics of the University is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,424,093	\$ 6,500,615	\$ 9,924,708
2019	3,566,344	6,342,967	9,909,311
2020	3,722,687	6,169,908	9,892,595
2021	3,916,727	5,985,621	9,902,348
2022	4,104,865	5,789,784	9,894,649
2023-2027	24,277,314	25,692,709	49,970,023
2028-2032	30,380,000	19,200,094	49,580,094
2033-2037	38,935,000	10,645,723	49,580,723
2038-2041	18,440,000	1,394,250	19,834,250
Total	<u>\$ 130,767,030</u>	<u>\$ 87,721,671</u>	<u>\$ 218,488,701</u>

Principal and interest payments made during the year are included in the statement of revenues and expenses as athletic facilities debt service, leases and rental fees.

**University of Cincinnati**  
**Notes to Statement of Revenues and Expenses**  
**June 30, 2017**

4. Affiliated Organization

The University of Cincinnati Foundation is a related entity of the University's Department of Athletics. The related entity conducts fundraising activities that support the Department of Athletics.

During fiscal year 2017, the affiliated organization transferred \$3,823,048 directly to the University in support of the Department of Athletics operations.

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# Dave Yost • Auditor of State

UNIVERSITY OF CINCINNATI- NCAA.

HAMILTON COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 5, 2017