

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, 2018



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, 2017 through June 30, 2018.

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 2, 2018

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University of Cincinnati
June 30, 2018

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. Neville G. Pinto
President
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 athletic department of the University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2018. 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, 2018. 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

- *Ticket Sales* – The 13.1% decrease is primarily attributable to reduced football game attendance.
- *Direct Institutional Support* – The 19.0% increase is primarily attributable to the University providing an additional \$1.3 million to assist with the operating deficit.

- *Athletic Student Aid* – The 27.2% increase is primarily attributable to \$1.98 million in tuition waivers awarded in the current year.

Actual Revenue and Expenses to Current Year Budget

- *Direct Institutional Support* – The 15.6% increase is primarily attributable to an additional \$1.98 million in tuition waivers awarded in the current year that was not projected in the budget.
- *Athletic Student Aid* – The 22.5% increase is primarily attributable to an additional \$1.98 million in tuition waivers awarded in the current year that was not projected in the budget.
- *Athletic Facilities Debt Service, Leases and Rental Fees* – The 78.4% increase is primarily attributable to debt payments funded by a capital fund which is not included in the budget.

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, 2018, 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, 2018.
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, 2018.
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, 2018, 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 were no media rights revenues during the year ended June 30, 2018.
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 obtained and inspected agreements related to all the University’s conference distributions. We also compared the amounts recorded in the Statement to the summary of conference distributions and recalculated the totals without exception.
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 all 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, 2018.
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, 2018.

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 from the University’s listing of student aid recipients and performed the following:
 - a. For each selected, we obtained individual student account detail and compared total aid allocated from the student account system to the amounts reported to the System, noting three of the 60 students tested had differences ranging from (\$3,279) to \$1,984.
 - b. For each selected, we performed a check of each student selected to determine their information to calculate their full grant amount and equivalency value was reported accurately in the System and noted no exceptions.

- c. For each selected 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 2019, 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 selected a sample of five coaches (Michael Cronin, Luke Fickell, Ronitta Clark-Heard, Heath Alexander and Joe Phillips) which included football, men's basketball and women's basketball coaches. We compared and agreed the financial terms and conditions of their contracts, specifically the salaries, benefits 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, 2018, 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 \$528 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 three support staff/administrative personnel employed by the University (Jussara Melo, Bryan Dean, Ryan Koslen) and compared the related salaries, benefits and bonuses paid by the University to each selection for the year ended June 30, 2018, per the payroll summary registers 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. *Fundraising, Marketing and Promotion* – We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected the three largest 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, 2018. The University’s management represented there were no such expenses incurred.
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 three 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 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 three largest 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, 2018.

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 identified 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 2019, and was not yet completed at the time the procedures were performed.

Other Reporting Items

- 49. *Excess Transfers to Institution and Conference Re-alignment Expenses* – We inquired of the University's management who represented there were no conference re-alignment expenses during the year ended June 30, 2018.
- 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 15, 2018

University of Cincinnati
Exhibit A – Statement of Revenues and Expenses
For the Year Ended June 30, 2018

	Football	Men's Basketball	Women's Basketball	Other Men	Other Women	Nonprogram- Specific	Total
Revenues							
Ticket sales	\$ 3,977,332	\$ 2,434,771	\$ 5,345	\$ 28,057	\$ 2,206	\$ -	\$ 6,447,711
Guarantees	1,200,000	27,115	-	20,500	14,000	-	1,261,615
Contributions	1,615,841	108,839	9,800	117,819	70,424	2,237,044	4,159,767
In-kind	-	-	-	-	-	350,083	350,083
Direct institutional support	291,198	88,596	50,762	556,833	989,181	26,392,368	28,368,938
Indirect facilities and administrative support	-	-	-	-	-	869,802	869,802
NCAA distributions	2,163,392	2,312,565	-	-	-	1,006,975	5,482,932
AAC Conference distributions	-	-	-	-	-	3,122,055	3,122,055
Program sales/concessions/novelty sales and parking	221,804	20,060	-	-	-	395,947	637,811
Royalties, licensing, advertising and sponsorships	-	-	-	-	-	6,449,904	6,449,904
Endowment and investment income	75,716	15,591	4,631	63,915	42,347	274,190	476,390
Other income	37,143	174,993	492	75,903	57,419	3,806,001	4,151,951
Total revenues	\$ 9,582,426	\$ 5,182,530	\$ 71,030	\$ 863,027	\$ 1,175,577	\$ 44,904,369	\$ 61,778,959
Expenses							
Athletic student aid	\$ 3,216,563	\$ 531,186	\$ 644,592	\$ 1,767,892	\$ 3,436,210	\$ 313,782	\$ 9,910,225
Guarantees	625,000	552,000	236,096	14,250	5,500	-	1,432,846
Coaching salaries, benefits and bonuses paid by the University and related entities	5,609,401	3,928,120	1,020,503	1,003,018	1,844,027	-	13,405,069
Support staff/administrative salaries, benefits and bonuses paid by the University and related entities	612,209	79,549	106,282	5,876	6,255	6,498,563	7,308,734
Severance payments	150,083	-	88,223	10,527	-	58,745	307,578
Recruiting	374,630	157,507	107,876	86,931	129,938	-	856,882
Team travel	1,005,596	1,325,130	452,155	639,468	933,060	-	4,355,409
Equipment, uniforms and supplies	445,175	24,566	7,517	137,722	157,569	-	772,549
Game expenses	1,010,040	616,582	59,389	182,732	109,967	240,315	2,219,025
Fundraising, marketing and promotion	-	-	-	-	-	4,099,976	4,099,976
Athletic facilities debt service, leases and rental fees	4,424	2,280	-	3,147	20,507	10,479,677	10,510,035
Direct overhead and administrative expenses	64,412	1,048	339	6,580	1,761	2,253,026	2,327,166
Spirit groups	-	-	-	-	-	228,097	228,097
Indirect facilities and administrative support	-	-	-	-	-	869,802	869,802
Medical expenses and medical insurance	1,469	4,837	-	6,019	1,520	470,350	484,195
Memberships and dues	-	3,765	1,683	26,730	23,344	54,782	110,304
Student-athlete meals	257,686	77,977	42,670	48,919	83,092	-	510,344
Other operating expenses	479,566	161,433	88,641	111,576	293,542	3,912,310	5,047,068
Total expenses	\$ 13,856,254	\$ 7,465,980	\$ 2,855,966	\$ 4,051,387	\$ 7,046,292	\$ 29,479,425	\$ 64,755,304

University of Cincinnati
Notes to Statement of Revenues and Expenses
June 30, 2018

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 3 to 50 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, 2018, for outstanding debt related to the Department of Athletics of the University is as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 3,386,344	\$ 7,997,638	\$ 11,383,982
2020	3,377,687	7,824,201	11,201,888
2021	3,636,727	7,657,164	11,293,891
2022	3,759,865	7,475,327	11,235,192
2023	3,659,399	7,292,466	10,951,865
2024-2028	27,016,525	33,419,176	60,435,701
2029-2033	45,381,041	25,209,781	70,590,822
2034-2038	53,265,755	13,248,760	66,514,515
2039-2043	18,643,060	2,922,650	21,565,710
2044-2047	6,816,470	693,429	7,509,899
Total	\$ 168,942,873	\$ 113,740,592	\$ 282,683,465

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, 2018

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 2018, the affiliated organization transferred \$4,159,767 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
NOVEMBER 15, 2018