

University of Cincinnati

Independent Accountant's Report on Applying Agreed-Upon
Procedures Performed on the Intercollegiate Athletic Program
as Required by NCAA Bylaw 3.2.4.17

June 30, 2021

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Accountant's Report on Applying Agreed-Upon Procedures* of the University of Cincinnati NCAA, Hamilton County, prepared by BKD, LLP, for the period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code.

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 NCAA is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 19, 2021

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University of Cincinnati

June 30, 2021

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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 in the attachment to this report on specified elements, accounts, and items of the University of Cincinnati's (University) statement of revenues and expenses (Statement) of the Department of Athletics for the year ended June 30, 2021. The management of the University is responsible for the Statement.

The University has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting the University in complying with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.17 for the year ended June 30, 2021. 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 and the associated findings are described in the attachment to this report.

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. 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 Statement. 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.

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

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, 2021

University of Cincinnati

Exhibit A – Agreed-Upon Procedures For the Year Ended June 30, 2021

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, 2021. 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 documentation. Excluding item 23 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

- *Direct Institutional Support* - The 10.83% decrease is primarily attributable to a \$2 million reduction in subsidy from the University in the current year.
- *Contributions* - The decrease of 26.76% is primarily attributable to the COVID-19 pandemic. Ticket sales were negatively impacted from the pandemic, which drove less seat-related contributions in the current year.
- *NCAA Distributions* - The 63.15% increase is primarily attributable to the COVID-19 pandemic. In the prior year there were very few tournaments, but tournament play resumed in the current year.
- *Royalties, Licensing, Advertisements, and Sponsorships* - The 31.34% increase is primarily attributable to the Under Armour contract buyout of \$3.4 million in the current year.
- *Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities Expense* - The 12.55% decrease is primarily attributable to a reduction in work force as a result of the COVID-19 pandemic in the current year.

Actual Revenue and Expenses to Current Year Budget

- *Direct Institutional Support* - The 51.00% increase is primarily attributable to athletics not budgeting for tuition waivers, which are being included as direct institutional support in the current year.
- *Contributions* - The 90.69% increase is primarily attributable to the \$6.1 million of fundraising tied to Nippert Stadium debt that was not budgeted for in the current year.
- *Royalties, Licensing, Advertisements, and Sponsorships* - The 27.57% increase is primarily attributable to Under Armour buyout of \$3.74 million that was not budgeted for in the current year.

University of Cincinnati

Exhibit A – Agreed-Upon Procedures For the Year Ended June 30, 2021

- *Athletics Student Aid* - The 14.83% increase is primarily attributable to the tuition waivers that were not budgeted for in the current year.
- *Athletic facility debt service, leases, and rental fees* - The 2,330.78% increase is primarily attributable to the \$6.1 million of Nippert Stadium debt that was not budgeted for in the current year.

Revenues

4. *Ticket Sales* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
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, 2021.
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, 2021.
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 all contributions of money, goods or services received directly by Athletics from individuals and other donors. We noted one individual transfer from an affiliate for \$6,130,450, which was greater than 10%, however, there were no individual contributions above this threshold.
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, 2021, 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, 2021.
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.

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Exhibit A – Agreed-Upon Procedures
For the Year Ended June 30, 2021

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, 2021.
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 noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
22. *Football Bowl Revenues* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.

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 for each student:
 - a. We obtained individual student account detail and compared total aid allocated from the student account system to the amounts reported to the System, noting 4 of the 60 students tested had differences ranging from (\$732) to \$1,206.
 - b. 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, noting 5 of the 60 students tested had a difference in grant amount ranging from (\$78) to \$828.
 - c. For those students 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 2022, 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.

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For the Year Ended June 30, 2021

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 three coaches (John Brannen, Luke Fickell, and Ronitta Clark-Heard), 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, 2021, 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 without exception.
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 (Edward Bruce, Brittany Booth, and Gregory Bruner) and compared the related salaries, benefits and bonuses paid by the University for each selection for the year ended June 30, 2021, 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 4.0%, 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 general ledger detail of team travel expenses and compared the amounts reported in the Statement and recalculated totals, 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 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, 2021. The University's management represented there were no such expenses incurred.

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For the Year Ended June 30, 2021

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. *Football Bowl Expenses* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.

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. We were unable to compare the current year revenue distribution equivalencies to prior year reported equivalencies per the Membership Financial Report submission as the reporting was not yet due, and, therefore, not yet completed at the time the procedures were performed.
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 2022, and was not yet completed at the time the procedures were performed.

University of Cincinnati
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For the Year Ended June 30, 2021

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 excess transfers to the institution or conference re-alignment expenses during the year ended June 30, 2021.
50. *Total Athletics Related Debt* - We obtained the repayment schedules for all outstanding athletics related 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 three University additions as part of the financial statement audit.

University of Cincinnati

Exhibit B – Statement of Revenue and Expenses For the Year Ended June 30, 2021

	Football	Men's Basketball	Women's Basketball	Other Men	Other Women	Nonprogram- Specific	Total
Revenues							
Ticket sales	\$ 258,070	\$ 202,189	\$ 9,515	\$ 25,758	\$ -	\$ 148,157	\$ 643,689
Direct institutional support	-	-	-	-	-	27,126,634	27,126,634
Indirect institutional support	-	-	-	-	-	2,259,243	2,259,243
Guarantees	-	-	-	8,000	-	-	8,000
Contributions	790,126	22,807	12,855	123,445	64,645	8,954,392	9,968,270
In-kind	-	-	-	-	-	150,948	150,948
NCAA distributions	5,213,413	833,645	-	-	-	311,768	6,358,826
AAC conference distributions	-	-	-	-	-	1,184,273	1,184,273
Post season revenue	2,109,453	-	-	-	-	-	2,109,453
Program sales/concessions/novelty sales and parking	240	-	-	-	-	241,986	242,226
Royalties, licensing, advertising and sponsorships	-	-	-	-	-	9,612,750	9,612,750
Endowment and investment income	133,489	50,367	36,032	88,624	139,152	225,037	672,701
Other income	121,820	36,709	750	11,202	19,688	1,611,115	1,801,284
Total revenues	\$ 8,626,611	\$ 1,145,717	\$ 59,152	\$ 257,029	\$ 223,485	\$ 51,826,303	\$ 62,138,297
Expenses							
Athletic student aid	\$ 3,358,400	\$ 623,920	\$ 622,560	\$ 1,716,068	\$ 3,498,395	\$ 170,681	\$ 9,990,024
Guarantees	540,000	125,000	-	5,016	-	-	670,016
Coaching salaries, benefits and bonuses paid by the University and related entities	6,940,428	2,374,422	1,021,577	736,575	1,773,849	-	12,846,851
Support staff/administrative salaries, benefits and bonuses paid by the University and related entities	917,288	477,678	82,770	78,039	11,238	5,823,713	7,390,726
Severance payments	-	108,289	-	-	-	201,821	310,110
Recruiting	187,959	25,272	18,931	10,967	36,355	-	279,484
Team travel	701,473	598,676	523,997	544,880	628,151	-	2,997,177
Equipment, uniforms and supplies	162,701	39,456	(2,534)	69,187	72,713	-	341,523
Game expenses	609,965	58,781	30,616	109,847	85,470	58,857	953,536
Fundraising, marketing and promotion	25,174	9,498	6,795	17,466	27,609	2,749,971	2,836,513
Spirit groups	-	-	-	-	-	93,779	93,779
Athletic facilities debt service, leases and rental fees	4,826	-	-	-	5,197	13,740,912	13,750,935
Direct facilities, maintenance & rental	9,427	2,162	(542)	223	1,936	811,503	824,709
Indirect institutional support	-	-	-	-	-	2,259,243	2,259,243
Medical expenses and medical insurance	20,847	-	-	-	-	619,738	640,585
Memberships and dues	2,700	757	-	7,375	46,565	12,980	70,377
Student-athlete meals	704,676	88,064	28,485	41,610	67,931	-	930,766
Post season expenses	887,738	-	-	-	-	-	887,738
Coaching bowl bonus	587,811	-	-	-	-	-	587,811
Other operating expenses	338,509	153,765	48,334	29,200	59,299	3,259,715	3,888,822
Total expenses	\$ 15,999,922	\$ 4,685,740	\$ 2,380,989	\$ 3,366,453	\$ 6,314,708	\$ 29,802,913	\$ 62,550,725

University of Cincinnati
Notes to Statement of Revenues and Expenses
June 30, 2021

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. 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, 2021, for outstanding debt related to the Department of Athletics of the University is as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 3,759,865	\$ 8,366,962	\$ 12,126,827
2023	3,659,399	8,184,101	11,843,500
2024	2,879,156	8,001,131	10,880,287
2025	5,327,921	7,866,519	13,194,440
2026	6,231,088	7,622,938	13,854,026
2027-2031	37,851,550	33,465,162	71,316,712
2032-2036	52,381,666	22,755,235	75,136,901
2037-2041	36,060,780	10,388,260	46,449,040
2042-2046	8,596,410	5,830,373	14,426,783
2047-2050	31,515,426	3,638,307	35,153,733
Total	<u>\$ 188,263,261</u>	<u>\$ 116,118,988</u>	<u>\$ 304,382,249</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, 2021

4. Contributions from 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 2021, the affiliated organization transferred \$9,968,270 directly to the University in support of the Department of Athletics operations; these transfers are recorded as contributions. One individual transfer totaling \$6,130,450 represented more than 10% of total contributions.

OHIO AUDITOR OF STATE KEITH FABER



UNIVERSITY OF CINCINNATI - NATIONAL COLLEGIATE ATHLETICS ASSOCIATION

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/2/2021

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This report is a matter of public record and is available online at
www.ohioauditor.gov