



Item: AF I-4

BOT AUDIT AND FINANCE COMMITTEE

Tuesday, October 17, 2006

**SUBJECT: FAU ATHLETICS DEPARTMENT INDEPENDENT ACCOUNTANT'S REPORT
ON AGREED-UPON PROCEDURES, JUNE 30, 2005.**

PROPOSED BOARD ACTION

Not Applicable.

BACKGROUND INFORMATION

These procedures were prepared to assist FAU in evaluating whether the accompanying unaudited statement of revenue and expenses of FAU is in compliance with the National Collegiate Association ("NCAA") Bylaw 6.2.3.1 for the year ended June 30, 2005. FAU's management is responsible for the statement of revenue and expenses ("statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report.

The annual financial audit of the Florida Atlantic University Intercollegiate Athletics is required to be submitted annual to the Board of Governors as part of the State University System data request process.

IMPLEMENTATION PLAN/DATE

Not Applicable

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: FAU Athletics Department Agreed-Upon Procedures, June 30, 2005.

Presented by: Dr Kenneth A. Jessell, Vice President for Financial Affairs

Phone: 561-297-3266



**INDEPENDENT ACCOUNTANT'S REPORT
ON AGREED-UPON PROCEDURES**

Mr. Frank T. Brogan, President
Florida Atlantic University
Boca Raton, Florida

We have performed the procedures enumerated below, which were agreed to by the chief executive of Florida Atlantic University ("FAU"), solely to assist you in evaluating whether the accompanying unaudited statement of revenue and expenses of Florida Atlantic University is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3.1 for the year ended June 30, 2005. Florida Atlantic University's management is responsible for the statement of revenue and expenses ("statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those 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.

Agreed Upon Procedures Related to the Statement of Revenue and Expenses:

The procedures that we performed and our findings for the year ended June 30, 2005 are as follows:

REVENUES

For all revenue categories reported on the statement, we performed the following procedures:

- A) We compared and agreed each operating revenue category reported in the statement during the reporting period to supporting schedules provided by FAU.
- B) We compared and agreed a sample of operating revenue receipts obtained from the above operating revenue supporting schedules to supporting documentation.
- C) We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variations.
- D) We recalculated all totals.

We performed the above procedures, as well as additional procedures for each of the following revenue categories:

TICKET SALES:

We obtained and reviewed the daily deposit ticket schedules for tickets sold prepared by the Florida's Atlantic University Athletics Department ("Athletics Department") and reconciled it to FAU's general ledger. We noted minor differences in Football, Men's Basketball, Women's Basketball, and Softball. In July 2004, ticket sales for Football were netted with expenses. In August 2004, there was an estimated adjustment made to reduce the prior month's error. We noted that the general ledger entries for ticket sales are made by the main FAU office and the Athletics Department keeps track of ticket sales through online reports from Ticketmaster. Since 85% of ticket sales were for football, we reviewed the tickets sold for football home games during the reporting period. We received a

schedule of the number of tickets sold and complimentary tickets given out for all five home football games during the fiscal year. We were also given a schedule detailing the different types of tickets and their respective prices, which we used to calculate an average ticket price. We took the average price per ticket times the number of tickets sold to arrive at an estimated ticket sales.

Findings:

The calculation of average price per ticket times the number of tickets sold totaled \$253,000, which is approximately \$16,000 less than what was recorded on the general ledger. Since the average ticket price was calculated based upon ticket price groups and not actual tickets sold for each group, these differences appear reasonable and the ticket sales reported on the statement for the reporting period appear reasonable.

A 2% difference in the overall ticket sales was noted between the general ledger ticket sales and the Ticketmaster online schedules provided to us by the Athletics Department. We recommend that since the entries for ticket sales are made to the general ledger by the main FAU office and not by the Athletics Department (and in the past, some ticket sales were posted to the wrong sport), that a monthly reconciliation be performed whereby the total number of tickets sold and revenue received are agreed to the general ledger by sport. A monthly reconciliation would ensure that timely, accurate and relevant information and reports for ticket sales would be available for evaluation.

Analytics Findings:

Actual revenue from ticket sales increased from \$214,859 to \$317,240 from 2004 to 2005. Although the number of home football games decreased from 7 games to 5 games from the prior year, the attendance significantly increased and the number of paid tickets sold increased. There was also a playoff game in the prior year. The revenue from the playoff game is not included in ticket sales on the revenue statement for 2004, but appears in direct institutional support revenue as required by NCAA presentation definitions. Ticket sales had an unfavorable variance from budgeted amounts for the year ended June 30, 2005, which was mainly a result of the budget including a home playoff game in the current year which did not take place and a projected attendance increase that was overly optimistic.

STUDENT FEES:

We obtained and reviewed the student data course file that totals the number of semester hours the overall student body was enrolled in for the semesters falling within the fiscal year. We obtained a University document that details the various fees that are charged to enrolled students. For the 2004/2005 fiscal year, the University charges each student a \$10 per semester hour fee for general athletics and a \$1.75 per semester hour fee for football athletics, for a total athletic fee per semester hour of \$11.75. This calculation was agreed to the University document titled "Rules of the Department of Education – Florida Atlantic University; Chapter 6c5-8 Tuition and Fees, which we read in order to obtain an understanding of the methodology used by FAU for allocating student fees to the athletics program. The methodology that FAU uses to calculate all of its fees is based upon the specific authority of Florida Statutes 1009.24, 1001.74 (4) and 1010.03.

Findings:

The total number of student semester hours for the fiscal year ended June 30, 2005 multiplied by the fixed fee amount per credit hour yielded a result that was 3% greater than the dollar amount reported on the statement. The calculation yielded a variance based upon the following: The student data course file does not separate the summer sessions into individual sessions. There were three summer sessions in Summer 2004 and there were also three summer sessions in Summer 2005. One summer session in 2004 and two summer sessions in 2005 fall in the fiscal

year reported on the statement. Therefore, there are three summer sessions included in the total semester hours per the student data course file that did not belong in the calculation to agree student fees reported in the statement. The total semester hours for Summer 2004 and 2005 sessions were 97,075 and 95,570, respectively. Because the total hours for each were almost the same, we dropped off the Summer 2004 hours in our calculation. Based upon the information that was available to us in order to verify the amount of student fees reported in the statement, we feel that amount of student fees reported in the statement is reasonable. We have recommended to FAU that modifications be made to the student data course file so that the semester hours are separated for each summer session.

Analytics Findings:

There were no significant variations between prior period amounts and budget estimates versus actual results.

GUARANTEES:

We obtained and reviewed a sample of ten athletic agreements/contracts which detail the guaranteed revenue that will be received by FAU for participation in away games. We traced the amounts that appeared on the athletic agreements/contracts to the general ledger without exception. We also agreed the event dates stated on the athletic agreements/contracts to the reporting period without exception.

Findings:

We found no exceptions as a result of these procedures.

Analytics Findings:

Actual revenue from guarantees increased from \$295,500 to \$435,500 from 2004 to 2005. The football program played more road games with guaranteed revenues than in the prior year. There were no significant variations between budget estimates versus actual results.

CONTRIBUTIONS:

We obtained and reviewed supporting documentation of contribution of moneys, goods or services received by the Florida Atlantic University intercollegiate athletics program for any affiliated or outside organization, agency or group of individuals not included above that constitutes 10% or more of all contributions received for intercollegiate athletics during the reporting period. FAU received \$949,116 in contributions for the fiscal year. of which \$615,939 was received from the Florida Atlantic University Foundation, Inc. (the "Foundation"). The Foundation is the only outside organization not under control of FAU that makes expenditures for, or on behalf of the Athletics Program or its employees. The Foundation serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of FAU. We obtained a schedule of all expenditures made by the Foundation on behalf of the Athletics Program and all cash transfers received for the fiscal year ended June 30, 2005. The Foundation made \$341,660 of expenditures on behalf of the Athletics Program, and transfers received for support of the Athletics Program's activities amounted to \$274,278. We also obtained a copy of the Foundation's general ledger accounts that detail the account transactions related to the Athletics Program. We agreed all amounts reported on the statement to the organization's general ledger.

We obtained and read the audited financial statements of the outside organization and reports to management regarding matters related to internal control and inquired of institutional and outside organization management as to corrective action taken in response to comments concerning internal control matters.

Findings:

We obtained and read a copy of the audited financial statements of the Foundation for the year ended June 30, 2005, and the related report on compliance and on internal control. The results of this procedure disclosed that the independent auditors expressed an unqualified opinion on the financial statements of the Foundation. The independent auditors noted no matters involving internal control over financial reporting and its operation that were considered material weaknesses.

Analytics Findings:

We obtained and reviewed the analytical reports that compared prior year actual and budget estimates to actual results and the explanations for significant variances. All explanations were obtained from Randy Langejans, Associate Athletic Director – Business Operations. Actual revenue from contributions increased from \$507,064 to \$949,116 from 2004 to 2005. This can be attributed to the year over year growth of the overall Athletics Program. The Athletics Department generated more cash, and the Foundation paid more expenses on behalf of the Athletics Program and transferred more money to the Athletics Program than in the previous year. Contribution revenue had an unfavorable variance from budgeted amounts for the year ended June 30, 2005, which can mainly be attributed to the cash shortfall for the fiscal year being included in the contributions category of the budget. The actual cash shortfall, which was satisfied with an intrafund loan of \$1,890,000 by the FAU Auxiliary Fund to the Athletics Department, is included in Direct Institutional Support Revenue.

DIRECT INSTITUTIONAL SUPPORT:

FAU made an intrafund loan of \$1,890,000 from the FAU Auxiliary Fund in order to support the 2004-2005 Athletics Operating Budget. This loan is for a period of ten years and is interest free. The loan is to be repaid beginning in the 2005-2006 fiscal year, the annual payment amount is to be determined by the Board of Trustees of FAU, as approved in the annual operating budget. We obtained and reviewed the FAU Intrafund Loan Agreement. We traced the amount of the loan that appeared indicated in the agreement to the general ledger without exception. We also agreed the date of the loan stated in the agreement to the reporting period without exception.

For the 2004-2005 fiscal year, FAU also approved \$1,391,720 in institutional support. Of this amount, \$811,929 represents tuition waivers for the Fall 2004 and Spring 2005 semesters. We obtained and reviewed the FAU report titled "Notice of Tuition Waiver Awards" which details the tuition waiver award amount for each student. We traced the total amount of the tuition waivers that appeared on the reports to the statement without exception. The remaining \$333,791 was used to cover football scholarships. We obtained and reviewed the authorization for this transfer. We traced the amount of the transfer that appeared on the authorization to the general ledger without exception. FAU also authorized an interfund transfer of \$168,143 to cover the athletic scholarship amounts for the Summer A and C 2005 sessions. We obtained and reviewed the authorization for this transfer. We traced the amount of the transfer that appeared on the authorization to the general ledger without exception. The Athletics Program also received \$520,788 in direct support from the FAU academics department. We obtained the general ledger account detail from the academics department general ledger and agreed all amounts to be reported on the statement without exception.

Findings:

We found no exceptions as a result of these procedures.

Analytics Findings:

Actual revenue from direct institutional support increased from \$2,641,646 to \$3,971,838 from 2004 to 2005. This is attributable to the budget shortfall for cash, which was satisfied with the \$1,890,000 intrafund loan made by FAU to the Athletics Department. This revenue category was not budgeted, therefore a comparison can not be made against actual results.

INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT:

The Greater Boca Raton Beach & Park District appropriated \$526,026 in funds to be disbursed to FAU for the operation and maintenance of the five athletic fields located on the Boca Raton Campus. We obtained and reviewed the letter from the Greater Boca Raton Beach & Park District awarding the grant based upon FAU's detailed report. We also obtained and reviewed the FAU report titled 'Pre-Award Routing Sheet' which details the total expenditures expected for the period October 1, 2004 through September 30, 2005. FAU receives funds for reimbursement of actual expenditures. FAU invoices the Greater Boca Raton Beach & Park District quarterly for reimbursement. We obtained FAU's quarterly invoices for the reporting period and compared the actual expenditure amount incurred and invoiced against the amount recorded on the revenue statement for the reporting period.

FAU currently does not track the indirect institutional support for the Athletics Program utilities expenses. \$600,000 has been allocated to utilities expense and reported on the statement based upon an estimate made by Randy Langejans for electricity used for the lights on the fields, grounds and offices of the Athletics Program.

Findings:

The actual expenditure amount incurred and invoiced for reimbursement from Greater Boca Raton Beach & Park District was \$355,465. We advised Randy Langejans that the amount being reported on the revenue statement should be \$355,465, which represents the actual expenditures, not the potential maximum grant amount of \$526,026 that could be reimbursed. The statement was corrected.

Analytics findings:

Indirect facilities and Administrative support had an unfavorable variance from budgeted amounts for the year ended June 30, 2005, which was mainly due to incorrect categorization between direct institutional support and indirect support on the 2004 EADA Statement of Revenue and Expenses. Corrected actual results would not result in a significant variance between 2004 and 2005. This revenue category was not budgeted, therefore a comparison can not be made against actual results.

NCAA/CONFERENCE DISTRIBUTIONS INCLUDING ALL TOURNAMENT REVENUES:

We obtained and reviewed a sample of 4 agreements which detail the revenue from NCAA Division I distributions that were received by FAU for athletics awards and grants. Of the amounts reviewed, FAU received \$74,721 from the NCAA as their share of a sports sponsorship fund whereby the NCAA awarded Division I member institutions according to the number of sports each of them sponsored in 2002-03; \$19,708 from the NCAA as their share of a supplemental revenue distribution given to Division I institutions according to the number of sports each of them sponsored in 2002-03 and the number of athletics grants-in-aid awarded in 2002-03; \$218,452 from the NCAA for an athletics grants-in-aid award; \$35,100 from the NCAA as an Atlantic Sun Conference member revenue distribution, and \$18,200 in tournament participation from men's baseball. We traced the amounts that appeared on the agreements to cash receipts batch reports and to the general ledger without exception.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

Actual revenue from NCAA conference distributions increased from \$353,753 to \$478,736 from 2004 to 2005. The NCAA made larger distributions to the University in the current year. NCAA/Conference Distributions had a favorable variance from budgeted amounts for the year ended June 30, 2005, which was mainly due to the NCAA making larger distributions than anticipated.

BROADCAST, TELEVISION, RADIO AND INTERNET RIGHTS:

FAU derived revenue from a radio and television broadcast sponsorship with ADT Security Services, Inc. ("ADT") for the 2004 football season. We reviewed and obtained an understanding of the relevant terms and conditions of the agreement. ADT was designated as the "FAU Football First Home Game Sponsor". The maximum amount that ADT would pay FAU for the 2004 football season was \$200,000. This maximum would be offset by the amount of revenue received by other broadcast sponsors on a dollar for dollar basis. The agreement was for a one year period with a two year renewal option. We reviewed the FAU prepared statement which detailed all the radio and television revenue FAU derived from all game broadcasts on radio and television. This gross amount was offset by revenues received by FAU from other broadcast sponsors. The net amount of \$173,500 (which is below the maximum) on this schedule agreed to the amount recorded in the general ledger without exception.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

Actual revenue from broadcast, television, radio and internet rights increased from \$0 to \$178,500 from 2004 to 2005 because of the agreement signed between FAU and ADT for the current year. This revenue category was not budgeted, therefore a comparison can not be made against actual results.

PROGRAM SALES, CONCESSIONS, NOVELTY SALES AND PARKING:

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

Actual revenue from program sales, concessions, novelty sales and parking decreased from \$93,695 to \$71,652 from 2004 to 2005. There were two less football home games in the current year, resulting in less overall revenue than in the prior year. There were no significant variations between budget estimates versus actual results.

ROYALTIES, ADVERTISEMENTS AND SPONSORSHIPS:

We selected a sample of agreements related to royalty and corporate sponsorship income. FAU entered into a ten year license agreement with a vendor titled "Soft Drink Pouring Rights Contract". The Vendor has exclusive rights to sell beverages on FAU's campuses marketing Pepsi products. The vendor is to pay FAU based on net sales of all

items with a guaranteed annual minimum payment of \$200,000. Of this amount, FAU allocated an annual maximum amount of \$180,000 to the Athletics Program. We traced this amount, which was received by the Athletics Department as an inter-fund transfer, to the general ledger without exception. We also obtained and reviewed a sample of three corporate sponsorship agreements which detail the amount of money to be received by FAU for corporate sponsorship rights. We traced the payment terms and amounts that appeared on the contracts to the amounts received and recorded in the general ledger without exception. We also agreed the period terms on the contracts to the reporting period (2004-2005 athletic season) without exception.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

Actual revenues from Royalties, Advertisements and Sponsorships increased from \$226,798 to \$466,868 from 2004 to 2005. FAU obtained more corporate sponsors in the current year versus the previous year as a result of the continued growth of the Athletics Program and increased attendance at events. Royalties, Advertisements and Sponsorships had an favorable (increase in net income) variance from budgeted amounts for the year ended June 30, 2005, which was mainly due to obtaining more new corporate sponsors than anticipated.

OTHER REVENUES:

We haphazardly selected a sample of four different facilities rental revenues. Facilities rental comprises 100% of the revenue in the Other Revenues category. We obtained copies of the agreements supporting these amounts and agreed the amounts in the agreement to the amount recorded in the general ledger without exception. We also noted that the dates on the agreement correspond to the reporting period of the statement of revenue.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

Actual revenue from other revenues increased from \$33,730 to \$103,447 from 2004 to 2005. FAU rents out the baseball and soccer fields plus the pool and records these facilities rentals as Miscellaneous Other Revenue. In the prior year, these revenues were recorded by sport and were not included in other revenues. There were no significant variations between budget estimates versus actual results.

EXPENSES

For all expense categories reported on the statement, we performed the following procedures:

- A) We compared and agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by FAU.
- B) We compared and agreed a sample of operating expenses obtained from the above operating expense supporting schedules to supporting documentation.
- C) We compared and agreed each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variations.

- D) We agreed the amounts reported on the statement for each expense category agree to the institution's general ledger.
- E) We recalculated all totals.

We performed the above procedures, as well as the additional procedures for each expense category as follows:

ATHLETIC STUDENT AID:

We obtained and reviewed an approved listing of student aid recipients during the reporting period and selected a sample of ten students. We obtained the students signed award letter and billing statement for the academic year 2004/2005. The billing statement separated the amounts paid by the Athletics Department, scholarship awards, and student payments. We agreed the amounts paid on the billing statement to the terms on the award letter. The student aid listing is created for students who are eligible to receive athletic scholarships. The amount in the scholarship listing is based on a full course load of 12 credit hours and a books stipend of \$200. Any additional expense, such as an additional credit hour in the course load, is normally covered by the athletics scholarship program. The Athletics Program is willing to provide students with some additional funding, if needed. For students who do not take the full course load of classes, they will receive less aid than the listing will show. The billing statement shows the amount that is paid by the Athletics Department along with the tuition waivers given to applicable students.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

Actual athletic student aid increased from \$3,174,195 to \$4,006,262 from 2004 to 2005. The football program advanced from Division IAA to Division IA, and as a result, twenty-two more scholarships were funded to the Athletics Program for football. Also, the women's programs increased in size year over year, and as a result, scholarships became fully funded, which means FAU used all women's athletic scholarships available. There were no significant variations between budget estimates versus actual results.

GUARANTEES:

We obtained and reviewed a sample of three athletic agreements/contracts which detail the guaranteed expenses that are to be incurred by FAU for participation in away games. We traced the amounts that appeared on the athletics agreements/contracts to the general ledger without exception. We also agreed the event dates stated on the athletics agreements/contracts to the reporting period without exception.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

There were no significant variations between prior period amounts and budget estimates versus actual results.

COACHING SALARIES, BENEFITS, AND BONUSES PAID BY THE UNIVERSITY AND RELATED ENTITIES:

We obtained a schedule of coaches' salaries and agreed the amount to the salaries listing, which was reconciled to the general ledger. We haphazardly selected 10 coaches for which we obtained and inspected the 2004 W-2's for each employee selected. The 2005 W-2's were not yet available at the time these procedures were performed. Therefore, we also performed a payroll reconciliation for these ten selections in order to verify that the amounts reported in the 2004 W-2's were properly included in the coaches salaries reported in the statement during the reporting period. We obtained the employees' contracts and terms of the salaries, and agreed the amounts to the salaries schedule.

Findings:

We agreed our payroll reconciliation to the year end expense for the ten individual employees selected, noting that for the amounts selected, the salaries reported on the statement were greater than the amounts on the W-2's and payroll summaries by approximately 5%. This can be attributed to the fact that while other items of compensation outside of normal salaries such as bonuses, car allowances, etc. were reported on the 2004 W-2's, these amounts are not included in the payroll summaries for the first half of 2005 used for the reconciliation. Therefore, these differences appear reasonable and the salaries reported on the statement for the reporting period appear reasonable.

Analytics findings:

Actual expenses for coaching salaries, benefits, and bonuses paid increased from \$2,221,996 to \$2,516,067 from 2004 to 2005. FAU added more coaches and staff for basketball and football in the current year. The budget did not break out coaching salaries, benefits and bonuses from support staff and administrative salaries. Therefore, a true comparison can not be made. Overall, salaries had an unfavorable variance from budgeted amounts for the year ended June 30, 2005. The budget did not take into account the hires of new basketball coaches and staff and the increase football staff for new positions that were created.

SUPPORT STAFF/ADMINISTRATIVE SALARIES, BENEFITS AND BONUSES PAID BY THE UNIVERSITY AND RELATED ENTITIES:

We obtained a schedule of support staff/administrative personnel salaries and agreed the amount to the salaries listing, which was reconciled to the general ledger. We haphazardly selected 5 support staff/administrative personnel for which we obtained and inspected the 2004 W-2's for each employee selected. The 2005 W-2's were not yet available at the time these procedures were performed. Therefore, we also performed a payroll reconciliation for these five selections in order to verify that the amounts reported in the 2004 W-2's were properly included in the coaches salaries reported in the statement during the reporting period. We obtained the employees' contracts and terms of the salaries, and agreed the amounts to the salaries schedule.

Findings:

We agreed our payroll reconciliation to the year end expense for the five individual employees selected, noting that for the amounts selected, the salaries reported per the statement were greater than the amounts per the W-2's and payroll summaries by approximately 1%. This can be attributed to the fact that the while other items of compensation outside of normal salaries such as bonuses, car allowances, etc. were reported on the 2004 W-2's, these amounts are not included in the payroll summaries for the first half of 2005 used for the reconciliation. Therefore, these differences appear reasonable and the salaries reported on the statement for the reporting period appear reasonable.

Analytics findings:

There were no significant variations between prior period amounts versus actual results for the current fiscal year. The budget did not break out support staff and administrative salaries from coaching salaries, benefits and bonuses. Therefore, a true comparison can not be made. Overall, salaries had an unfavorable variance from budgeted amounts for the year ended June 30, 2005. The budget did not take into account the hires of new basketball coaches and staff and the increase football staff from new positions that were created.

SEVERANCE PAYMENTS:

We noted two employees received severance during the fiscal year. We examined the severance letters given to the employees at the time of the termination of employment. We recalculated the amounts and noted that one employee received severance for salary and medical benefits. We noted the amounts appear reasonable.

Findings: We found no exceptions as a result of these procedures.

Analytics findings:

Severance payments had an unfavorable variance from budgeted amounts for the year ended June 30, 2005. There were no severance payments made in the prior year. This expense category was not budgeted; therefore a comparison can not be made against actual results.

RECRUITING:

We obtained the recruiting policies for the Athletics Department and noted that the policies are in accordance with NCAA guidelines. Only NCAA certified athletics' staff members are allowed to make off campus recruiting visits. Expenses such as airfare, gas reimbursement, meals, and lodging expenses are covered for prospective student athletes. All expenses used for recruiting must be approved by the Assistant Athletic Director for compliance. There must be an approved expense request prior to taking a recruiting trip for an authorized staff member. We selected the largest four organization expenses and haphazardly selected ten different expenses. We obtained copies of the invoices for the items selected and agreed them to the general ledger without any exceptions.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

This expense category was not budgeted, therefore a comparison can not be made against actual results.

TEAM TRAVEL:

We obtained the team travel policies for the Athletics Department and noted that the policies are in accordance with NCAA guidelines. It is required in all cases that the prospective traveler (whether on a team or a prospective individual or coach) submit requests to the department in writing for the expected travel. This is done on forms provided by the Athletic Department. A travel itinerary form must be submitted with the name and social security number of the team members and non-team members traveling. The travel accommodations will be selected based on the best economic and appropriate means. The state will reimburse certain travel expenses, such as rental vehicles

and hotel accommodations. We selected the largest 5 organization expenses and haphazardly selected 15 items to inspect. We obtained a copy of the invoices and agreed them to the general ledger without exceptions.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

Actual expenses for team travel increased from \$884,626 to \$1,348,902 from 2004 to 2005. There were more away games for the football program versus the prior year. Also, the cost of airfare increased due to fuel costs. This expense category was not budgeted, therefore a comparison can not be made against actual results.

EQUIPMENT, UNIFORMS AND SUPPLIES:

We haphazardly selected a sample of ten different equipment expenses. We obtained a copy of the invoices and agreed them to the general ledger without any exceptions.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

There were no significant variations between prior period amounts and budget estimates versus actual results.

GAME EXPENSES:

We haphazardly selected a sample of ten different game expenses. We obtained a copy of the invoices and agreed them to the general ledger without any exceptions.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

Game expenses increased from \$351,823 to \$435,320 from 2004 to 2005. The majority of the difference is attributable to the cost of renting Dolphin Stadium for one of the football games in the current fiscal year. Game expenses had an unfavorable variance from budgeted amounts for the year ended June 30, 2005, which is mainly due to the Dolphin stadium rental not being budgeted.

FUND RAISING, MARKETING AND PROMOTION:

We haphazardly selected a sample of ten different fund raising, marketing, and promotion expenses. We obtained copies of the invoices and agreed them to the general ledger without any exceptions.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

Actual expenses for fund raising, marketing and promotion increased from \$300,626 to \$416,688 from 2004 to 2005. Consistent with the expansion of the Athletics Department, more money was spent on marketing and promotion of the program. Fundraising, marketing and promotion had an unfavorable variance from budgeted amounts for the year ended June 30, 2005, as the rate of expansion of the athletics program accelerated what was budgeted.

SPIRIT GROUPS:

We haphazardly selected the one sample item from the spirit group expenses. We obtained a copy of the invoice and agreed it to the general ledger without any exception.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

There were no significant variations between prior period amounts and budget estimates versus actual results.

INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT:

As detailed in the Indirect facilities and Administrative support revenue category findings, \$355,465 was received from the Greater Boca Raton Beach & Park District as a grant to aid in the operation and maintenance of the athletic fields. Also, FAU does not track the indirect institutional support for the Athletics Program utilities expense, and as such, \$600,000 has been allocated to utilities expense based upon an estimate by Randy Langejans of usage by the Athletics Department. Also included in this expense category is \$520,788 in direct support from the academics department, as detailed in the Direct institutional support revenue category findings.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

This revenue category was not budgeted, therefore a comparison can not be made against actual results.

MEDICAL EXPENSES AND MEDICAL INSURANCE:

We haphazardly selected a sample of ten different medical and medical insurance expenses. We requested copies of the invoices. We agreed the invoices to the general ledger without any exceptions.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

There were no significant variations between prior period amounts and budget estimates versus actual results.

MEMBERSHIPS AND DUES:

We haphazardly selected two samples of the largest items for memberships and dues expenses. We obtained copies of the invoices and agreed them to the general ledger without any exceptions.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

There were no significant variations between prior period amounts and budget estimates versus actual results.

OTHER OPERATING EXPENSES:

We haphazardly selected a sample of ten different other operating expenses. We obtained copies of the invoices and agreed them to the general ledger without any exception.

Findings:

We found no exceptions as a result of these procedures.

Analytics findings:

Actual other operating expenses increased from \$656,145 to \$939,552 from 2004 to 2005. This increase is consistent with the overall increase in the size of the Athletics Program, where total operating expenses increased 15% year over year. Other operating expenses had a favorable variance from budgeted amounts for the year ended June 30, 2005. The budget did not provide a budgeted amount for each expense category, and as a result, many of the expense categories presented on the statement were combined together into other operating expenses on the budget. Therefore, a true comparison can not be made. We have recommended that the budget be built with the same level of detail and expense account categories as the statement that is required to be reported to the NCAA. This will improve NCAA reporting as well as internal reporting and analysis.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, on the compliance of the accompanying statement of revenue and expenses of Florida Atlantic University Athletic Department. 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.

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.

Goldstein Lewin & Co.

Boca Raton, Florida
January 14, 2006

FLORIDA ATLANTIC UNIVERSITY ATHLETIC DEPARTMENT
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005 (UNAUDITED)

<u>REVENUE</u>	<u>FOOTBALL</u>	<u>MEN'S BASKETBALL</u>	<u>WOMEN'S BASKETBALL</u>	<u>OTHER SPORTS</u>	<u>NON- PROGRAM SPECIFIC</u>	<u>TOTAL</u>
Operating Revenue:						
Ticket Sales	\$ 270,722	\$ 9,936	\$ 3,812	\$ 32,770	\$ -	\$ 317,240
Student Fees	-	-	-	-	6,526,527	6,526,527
Guarantees	280,000	142,500	3,000	10,000	-	435,500
Contributions	268,713	7,556	18,642	148,889	505,316	949,116
Direct Institutional Support	-	-	-	247,246	3,724,592	3,971,838
Indirect Facilities and Administrative Support	-	-	-	-	955,466	955,466
NCAA/Conference Distributions including All Tournament Revenues	-	-	-	35,000	443,736	478,736
Broadcast, Television, Radio, and Internet Rights	173,500	5,000	-	-	-	178,500
Program Sales, Concessions, Novelty Sales and Parking	49,413	752	-	301	21,186	71,652
Royalties, Advertisements and Sponsorships	-	-	-	-	466,868	466,868
Other	-	-	-	-	103,447	103,447
Subtotal Operating Revenue	\$ 1,042,348	\$ 165,744	\$ 25,454	\$ 474,206	\$ 12,747,138	\$ 14,454,890

FLORIDA ATLANTIC UNIVERSITY ATHLETIC DEPARTMENT
STATEMENT OF REVENUES AND EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2005 (UNAUDITED)

<u>EXPENSES</u>	<u>FOOTBALL</u>	<u>MEN'S BASKETBALL</u>	<u>WOMEN'S BASKETBALL</u>	<u>OTHER SPORTS</u>	<u>NON- PROGRAM SPECIFIC</u>	<u>TOTAL</u>
Operating Expenses:						
Athletics Student Aid	\$ 1,120,220	\$ 281,823	\$ 300,724	\$ 1,912,399	\$ 391,095	\$ 4,006,261
Guarantees	190,000	1,500	-	12,832	-	204,332
Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	979,839	293,223	223,842	1,019,163	-	2,516,067
Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities	242,572	13,412	-	-	1,694,173	1,950,157
Severance Payments	-	48,448	-	5,382	-	53,830
Recruiting	134,000	46,830	40,430	62,814	-	284,983
Team Travel	571,739	134,202	111,844	525,693	5,523	1,348,901
Equipment, Uniforms and Supplies	78,357	19,509	19,819	160,793	26,634	305,112
Game Expenses	298,014	17,727	17,500	55,558	46,521	435,320
Fund Raising, Marketing and Promotion	59,762	812	6,297	23,584	326,232	416,687
Sports Camp Expenses	-	-	-	-	895	895
Spirit Groups	-	-	-	-	26,370	26,370
Indirect Facilities and Administrative Support	-	-	-	-	1,476,194	1,476,194
Medical Expenses and Medical Insurance	4,336	100	728	4,357	353,729	363,250
Memberships and Dues	60	425	2,125	6,130	21,050	29,790
Other Operating Expenses	<u>130,323</u>	<u>18,062</u>	<u>3,360</u>	<u>78,916</u>	<u>712,666</u>	<u>944,227</u>
Subtotal Operating Expenses	<u>3,810,131</u>	<u>876,973</u>	<u>726,669</u>	<u>3,867,521</u>	<u>5,081,082</u>	<u>14,362,376</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>\$ (2,767,783)</u>	<u>\$ (711,229)</u>	<u>\$ (701,215)</u>	<u>\$ (3,393,315)</u>	<u>\$ 7,666,056</u>	<u>\$ 92,514</u>