



Item: AF: I-5

## AUDIT AND FINANCE COMMITTEE

Tuesday, February 18, 2014

**SUBJECT: REVIEW OF FAU ATHLETICS DEPARTMENT INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES.**

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### PROPOSED COMMITTEE ACTION

Information Only.

### 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 Athletic Association ("NCAA") Bylaw 6.2.3.1 for the year ended June 30, 2013. FAU 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 report on Florida Atlantic University Intercollegiate Athletics is required to be submitted to the Board of Governors as part of the State University System data request process.

### IMPLEMENTATION PLAN/DATE

Not Applicable.

### FISCAL IMPLICATIONS

Not Applicable.

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**Supporting Documentation:** FAU Intercollegiate Athletics Program Independent Accountant's Report on Agreed-upon Procedures for the Year Ended June 30, 2013.

**Presented by:** Ms. Dorothy Russell, Interim Senior VP-Financial Affairs  
Mr. Patrick Chun, Director-Intercollegiate Athletics

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**FLORIDA ATLANTIC UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM**

**INDEPENDENT ACCOUNTANTS' REPORT  
ON AGREED-UPON PROCEDURES**

**FOR THE YEAR ENDED JUNE 30, 2013**



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### **INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES**

Mr. Dennis J. Crudele, Interim President  
Florida Atlantic University

We have performed the procedures enumerated below, which were agreed to by the chief executive of Florida Atlantic University ("FAU" or the "University"), solely to assist you in evaluating whether the accompanying unaudited Statement of Revenues and Expenses (the "Statement") of the FAU Intercollegiate Athletics Program is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3.1 for the fiscal year ended June 30, 2013. The University's management is responsible for the Statement and its 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 Revenues and Expenses:**

The procedures that we performed and our findings for the fiscal year ended June 30, 2013 are as follows:

#### **REVENUES:**

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

- A) We compared and agreed each operating revenue category reported on 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 applicable 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 agreed the amounts reported on the Statement for each revenue category to the University's general ledger.
- E) We recalculated all totals.

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

## **TICKET SALES:**

Approximately 86% of ticket sales were for football; therefore, the tickets sold for football games during the reporting period were selected for procedures. 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. We obtained and reviewed FAU's Direct Supplemental Organizational Schedule (the "DSO") which quantifies season ticket sales and game day ticket sales. We compared the total per the DSO, plus other reconciling items to football ticket sales as reported on the Statement. We also obtained and reviewed the Ticketmaster sales report for the fiscal year ended June 30, 2013 and compared the total per this report to football ticket sales as reported on the Statement.

## **Findings:**

Season, game day and daily ticket sales per the DSO totaled \$787,144. This amount, plus taxes and service charges aggregating \$46,292, equals \$833,436 as reported for football ticket sales on the Statement. Total football ticket sales per the Ticketmaster report totaled \$659,123. This amount and service charges aggregating \$14,162, equals \$673,285, which is \$160,151 less than football ticket sales as reported on the Statement. Per discussion with management, this difference is primarily attributable to multiple year ticket sales for which the Statement is including the full amount of such sales in the fiscal year ended June 30, 2013. Therefore, the Statement is overstating football ticket sales applicable to the fiscal year ended June 30, 2013 by approximately the difference noted.

## **Analytical Findings:**

Overall ticket sales decreased from \$1,483,341 during the year ended June 30, 2012 to \$964,787 during the year ended June 30, 2013. This decrease is primarily attributable to the new football stadium opening during the year ended June 30, 2012 which led to increased football ticket sales during that year. Additionally, in relation to the increased demand for tickets last year, ticket prices were higher (the average ticket price was approximately \$22 and \$14 during the years ended June 30, 2012 and 2013, respectively). There was also a negative variance between actual ticket sales during the fiscal year ended June 30, 2013 and the budgeted total. This negative variance was a result of over-budgeting this line item as the anticipated impact of the new stadium exceeded actual results in the second year of the stadium's operations.

## **STUDENT FEES:**

We obtained and reviewed the student data course file that indicates the number of semester hours that the overall student body was enrolled in for the semesters falling within the fiscal year. We obtained a document from the University detailing the various fees that are charged to enrolled students. During the fiscal year ended June 30, 2013, FAU charged each student a fee of \$16.45 per semester hour for general athletics for the second summer semester in 2012. This rate was then increased to \$17.27 for the remainder of the year ended June 30, 2013. These rates were agreed to the University document titled "Rules of the Department of Education – Florida Atlantic University"; Chapter 6c5-8.001 – "Tuition and Fees", which describes the methodology used by FAU for allocating student fees to the Athletics Department. The methodology used by FAU to calculate all of its fees is based upon the specific authority of Florida Statutes 1009.24, 1001.74 (4) and 1010.03.

## **STUDENT FEES (CONTINUED):**

### **Findings:**

The total number of student semester hours for the fiscal year ended June 30, 2013 multiplied by the applicable fixed fee amounts per credit hour yielded a result that was approximately 2.3% more than the dollar amount reported on the Statement, a difference of approximately \$260,000.

### **Analytical Findings:**

Actual revenue from Student Fees increased from \$11,121,884 during the fiscal year ended June 30, 2012 to \$11,282,048 during the fiscal year ended June 30, 2013 due primarily to an increase in the fixed fee amount per credit hour from \$16.45 throughout the prior year to \$17.27 for most of the current year. There was a positive variance between actual Student Fees during the fiscal year ended June 30, 2013 and the budgeted total due to FAU's conservative budgeting approach which resulted in a budgeted total for the fiscal year ended June 30, 2013 of slightly less than the preceding year's actual results.

## **GUARANTEES:**

We obtained and reviewed a sample of ten athletic agreements/contracts from the Athletics Department which detail the guaranteed revenue that was received by FAU for participation in away games. These ten agreements/contracts aggregated \$1,920,000, comprising approximately 98% of guarantee revenue recorded for the year ended June 30, 2013. We traced the amounts that appeared on the athletic agreements/contracts to the general ledger. We also agreed the event dates stated in the athletic agreements/contracts to the reporting period.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Actual revenue from Guarantees decreased from \$2,029,000 during the fiscal year ended June 30, 2012 to \$1,966,500 during the fiscal year ended June 30, 2013. During the year ended June 30, 2012 there were three large out-of-conference away football games as compared to only two such games in the current year, resulting in the decrease for this line item. There was no significant difference between budgeted and actual results.

## **CONTRIBUTIONS:**

From the Athletics Department we obtained and reviewed supporting documentation for the contribution of money, goods or services received by the Athletics Department for any affiliated or outside organization, agency or group of individuals that constitutes 10% or more of all contributions received for intercollegiate athletics during the reporting period. The Athletics Department received \$2,403,968 in contributions during the fiscal year ended June 30, 2013, most of which was received from the Florida Atlantic University Foundation Athletic Account (the "Foundation Athletic Account"). The Foundation Athletic Account is maintained for purposes of collecting and accounting for contributions made to the Athletics Department, which is then the property of the Athletics Department. During the year ended June 30, 2013, the Athletics Department received \$2,347,968 from the Foundation Athletic Account. Contributions from Adidas aggregating \$56,000 comprise the remaining amounts received.

## **CONTRIBUTIONS (CONTINUED):**

The Florida Atlantic University Foundation, Inc. (the "Foundation") is the sponsor of the Foundation Athletic Account and is the only outside organization not under control of FAU where the Athletics Department may pay expenses directly from or on their own behalf. 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 through the Foundation Athletic Account on behalf of the Athletics Department and all cash transfers received for the fiscal year ended June 30, 2013. We also obtained a copy of the Foundation Athletic Account's general ledger detailing the transactions related to the Athletics Department. We agreed all amounts reported on the Statement to the general ledger.

We obtained and read the Foundation's audited financial statements and reports to management regarding matters related to internal control over financial reporting for the fiscal year ended June 30, 2013.

### **Findings:**

We found no exceptions as a result of our procedures. Additionally, we noted that an independent auditor expressed an unqualified opinion on the financial statements of the Foundation for the fiscal year ended June 30, 2013. The independent auditor noted no matters involving internal control over financial reporting and its operation that were considered significant deficiencies or material weaknesses.

### **Analytical Findings:**

Revenue from Contributions decreased from \$2,503,093 during the fiscal year ended June 30, 2012 to \$2,403,968 during the fiscal year ended June 30, 2013. The decrease is primarily related to the Foundation having received more contributions in the prior year as a result of enhanced marketing efforts in conjunction with the construction of a new football stadium on the University's campus. There was also a negative variance between actual contributions during the fiscal year ended June 30, 2013 and the budgeted total. Because some contributions are obtained in conjunction with the sale of football season tickets, the decrease in such sales during the year ended June 30, 2013 is a primary reason for this line item coming in under budget.

## **DIRECT INSTITUTIONAL SUPPORT:**

For the fiscal year ended June 30, 2013, FAU approved \$3,926,558 in direct institutional support. Of this amount, \$717,849 represents tuition waivers. We obtained and reviewed a schedule prepared by the Athletics Department breaking out tuition waivers by sport. Individual student tuition waivers were tested as part of our procedures applicable to Athletic Student Aid Expenses. The University also transferred funds totaling \$2,793,718 to the Athletics Department. Revenue of \$247,246 relating to Title IX and various other miscellaneous amounts aggregating \$167,745 comprise the remaining totals included as Direct Institutional Support as reported on the Statement.

### **Findings:**

We found no exceptions as a result of these procedures.

## **DIRECT INSTITUTIONAL SUPPORT (CONTINUED):**

### **Analytical Findings:**

Actual revenue from Direct Institutional Support increased from \$1,364,908 during the fiscal year ended June 30, 2012 to \$3,926,558 during the fiscal year ended June 30, 2013. The significant increase in direct support is a result of transfers from the University to the Athletics Department, to assist the Athletics Department with loan obligations for the recently opened new football stadium. Additionally, there was a positive variance between actual Direct Institutional Support during the fiscal year ended June 30, 2013 and the budgeted total. This positive variance arises primarily because the amounts received from the University to assist with loan repayments were not included in the budgeted total for the year.

## **INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT:**

The Athletics Department received \$588,307 in indirect support from the FAU Academics Department. We obtained the general ledger account detail from the Academics Department's general ledger and agreed all amounts to the quantifications reported in this category.

The Athletics Department also received \$38,165 in indirect support associated with the cost of security for various sporting events. We obtained and reviewed invoices from the FAU Police Department for security provided at various sporting events to verify this amount.

FAU currently does not track the indirect institutional support for utilities expenses. FAU has allocated \$205,411 for utilities associated with the new on-campus stadium, and \$550,000 for electricity used for the lights on various fields, grounds, and offices of the Athletics Department.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Actual revenue from Indirect Facilities and Administrative Support decreased from \$1,449,435 during the fiscal year ended June 30, 2012 to \$1,381,883 during the fiscal year ended June 30, 2013. This decrease is primarily attributable to the increased costs of security in the first year of the new football stadium, which resulted in the receipt of more funding for such costs in the prior year. This revenue category was not budgeted because it is offset by Indirect Facilities and Administrative Support Expenses.

## **NCAA/CONFERENCE DISTRIBUTIONS:**

FAU received the following from the NCAA: \$183,404 as their share of a sports sponsorship fund; \$424,373 for an athletics grants-in-aid award; \$68,870 for NCAA Academic Enhancement; \$261,877 from Sun Belt Conference revenue; \$5,975 in Supplemental NCAA revenue distributions; and \$33,202 in miscellaneous revenue. These receipts total \$977,701, as reported on the Statement.

We obtained and reviewed receipts aggregating \$806,264 (approximately 82% of the total reported on the Statement). For each receipt selected, we reviewed the applicable NCAA and/or conference guidelines governing such distributions. Additionally, we traced the amounts to postings in the general ledger detail and to the finance transaction form or a copy of the applicable check/stub.

## **NCAA/CONFERENCE DISTRIBUTIONS (CONTINUED):**

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was not a significant variance in actual NCAA/Conference Distribution revenue during the year ended June 30, 2013 as compared to the year ended June 30, 2012. There was a positive variance between actual NCAA/Conference Distributions during the fiscal year ended June 30, 2013 and the budgeted total, as this line item was conservatively budgeted by management for the current year.

## **PROGRAM SALES, CONCESSIONS, NOVELTY SALES, AND PARKING:**

We obtained and reviewed documentation applicable to football parking and food revenue aggregating \$202,093, which comprises approximately 68% of the total reported on the Statement. For each item selected for testing, we traced the amounts to the general ledger. The remaining amounts reported in the Statement for this line item include \$39,269 for parking and other revenue relating to sporting events, and \$54,437 of miscellaneous other items.

### **Findings:**

We found no significant exceptions as a result of these procedures.

### **Analytical Findings:**

Program Sales, Concessions, Novelty Sales, and Parking revenue decreased from \$422,978 to \$295,799 during the fiscal years ended June 30, 2012 and 2013, respectively. This decrease is primarily attributable to the decline of ticket sales, which directly results in a decrease in related revenue streams such as program sales, concessions, parking, etc. There was no significant variance between budgeted and actual results for this line item during the year ended June 30, 2013.

## **ROYALTIES, LICENSING, ADVERTISEMENTS, AND SPONSORSHIPS:**

FAU has entered into a ten year license agreement titled "Soft Drink Pouring Rights Contract" with an outside vendor. The vendor has exclusive rights to sell beverages on FAU's campuses, marketing Pepsi products. The vendor is to pay FAU amounts based on net sales of all items with a guaranteed annual minimum payment of \$200,000. Of this amount, FAU has allocated an annual maximum amount of \$180,000 to the Athletics Department. We examined the contract associated with this agreement and tied the \$180,000 to the appropriate general ledger posting.

FAU has also entered into various sponsorship agreements associated with the recently opened on-campus football stadium. These agreements aggregated \$421,337 during the fiscal year ended June 30, 2013. We selected the three largest agreements, totaling \$276,000 for testing. For each of these agreements, we obtained documentation of the payments received.



## **ROYALTIES, LICENSING, ADVERTISEMENTS, AND SPONSORSHIPS (CONTINUED):**

We also selected various other sponsorship agreements aggregating \$92,582 for which we examined the applicable contract and traced the amounts to the general ledger. Various marketing and promotions revenue and other miscellaneous revenue totaling \$58,379 are also included in the \$745,393 reported on this line item on the Statement.

### **Findings:**

We found no significant exceptions as a result of these procedures.

### **Analytical Findings:**

Royalties, Licensing, Advertisements, and Sponsorships revenue decreased from \$870,588 to \$745,393 during the fiscal years ended June 30, 2012 and 2013, respectively. This decrease is primarily due to a decrease in sponsorships for the football stadium. There was more of a demand for sponsors in the first year of the football stadium as more tickets were sold for games during the preceding year. This line item was not budgeted for the year ended June 30, 2013.

## **ENDOWMENT AND INVESTMENT INCOME:**

No procedures were performed relating to this line item due to the insignificant amount recorded as compared to revenue as a whole.

## **OTHER REVENUES:**

Other Revenue consists of numerous cash inflows that do not directly correlate with any of the other specific revenue line items on the Statement. We obtained from the Athletics Department a schedule of such items which equals the \$592,491 reported on the Statement. We selected the two largest items, aggregating \$357,933 (approximately 60%) on the schedule and obtained the corresponding invoices and checks received to tie in the amount recorded and the period for which the revenue was earned.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Other Revenues decreased from \$1,022,968 during the fiscal year ended June 30, 2012 to \$592,491 during the fiscal year ended June 30, 2013. This decrease is attributable to a change in the Athletics Department's chart of accounts. As a result, the Athletics Department's personnel were able to allocate "other revenues" more accurately during the year ended June 30, 2013. There was a negative variance between Other Revenues recorded during the fiscal year ended June 30, 2013 and the budgeted total. This negative variance was a result of over-budgeting this line item as the changes in the chart of accounts were made subsequent to the completion of the budget.

## **EXPENSES:**

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

- A) We compared and agreed each operating expense category reported on the Statement during the reporting period to supporting schedules provided by FAU.
- B) We compared and agreed a sample of operating expenses selected from applicable 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 to the University'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:**

From the Athletics Department we obtained and reviewed a listing of student aid recipients during the reporting period and selected a sample of ten students. We obtained each selected student's signed award letter and billing statement for the fiscal year ended June 30, 2013. The billing statements segregated the amounts paid by the Athletics Department into scholarship awards and student payments. We agreed the amounts paid on each billing statement to the terms in the related award letter. The student aid listing is created for students who are eligible to receive athletic scholarships. The amount in the listing is based on a full course load of fifteen credit hours per semester and an annual books stipend of \$400. Any additional expense, such as an additional credit hour in the course load, is usually covered by the athletics scholarship program. The Athletics Department is willing to provide students with some additional funding, if needed. Students who do not take the full course load of classes receive less aid than the listing will show. The billing statement indicates 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.

### **Analytical Findings:**

Athletic Student Aid expense increased from \$4,205,827 during the fiscal year ended June 30, 2012 to \$5,185,155 during the year ended June 30, 2013. Historically, this expense line item may fluctuate from year to year as a result of roster changes due to graduations, transfers, or other reasons. During the year ended June 30, 2013 there were more vacancies on various sports teams to fill, resulting in an increase in student aid dollars expended. The budgeted total for the fiscal year ended June 30, 2013 exceeded actual results due to the Athletics Department giving out less in scholarship awards during the fiscal year ended June 30, 2013 than initially anticipated.

**GUARANTEES:**

From the Athletics Department we obtained and reviewed a sample of five athletic agreements/contracts which detail the guaranteed expenses that were incurred by FAU for participation in home games. The five agreements/contracts selected for testing were for football games and aggregated \$460,000 (approximately 94% of total guarantees expense reported on the Statement). We traced the amounts that appeared on the athletics agreements/contracts to the general ledger. We also agreed the event dates stated on the athletics agreements/contracts to the reporting period.

**Findings:**

We found no exceptions as a result of these procedures.

**Analytical Findings:**

Guarantees expense increased from \$378,648 during the fiscal year ended June 30, 2012 to \$489,298 during the fiscal year ended June 30, 2013. This increase was primarily due to an increased payout to a non-conference football opponent during the year ended June 30, 2013 as compared to a lower payout to a non-conference football opponent in the preceding year. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item.

**COACHING SALARIES, BENEFITS, AND BONUSES:**

We obtained a schedule of coaches' salaries from the Athletics Department and agreed the amount to the salaries listing, which was reconciled to the general ledger. We selected ten coaches for whom we obtained and inspected their 2012 Form W-2. The 2013 Form 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 2012 Form W-2's were properly included in the coaches' salaries reported on the Statement during the reporting period. We obtained the coaches' contracts and terms of the salaries, and agreed the amounts to the schedule of coaches' salaries.

**Findings:**

We found no significant exceptions as a result of the combined procedures applicable to this line item and for Support Staff and Administrative Salaries, Benefits, and Bonuses.

**Analytical Findings:**

Coaching salaries, benefits, and bonuses expenses increased from \$3,646,321 during the fiscal year ended June 30, 2012 to \$3,955,991 during the fiscal year ended June 30, 2013. This increase is primarily due to normal year-to-year raises for continuing personnel, as well as certain changes in personnel which resulted in increased salary and related expenses. The budget did not break out this line item from Support Staff and Administrative Salaries, Benefits, and Bonuses. Therefore, a true budget to actual comparison cannot be made. Overall, no significant variance was noted between budgeted amounts in the aggregate for these two line items as compared to actual costs.

## **SUPPORT STAFF AND ADMINISTRATIVE SALARIES, BENEFITS, AND BONUSES:**

We obtained a schedule of support staff and administrative personnel salaries from the Athletics Department and agreed the amount to the salaries listing, which was reconciled to the general ledger. We selected five support staff and administrative personnel for whom we obtained and inspected the 2012 Form W-2. The 2013 Form W-2's were not yet available at the time these procedures were performed. Therefore, we performed a payroll reconciliation for these five selections in order to verify that the amounts reported in the 2012 Form W-2's were properly included in the salaries reported in the Statement during the reporting period.

### **Findings:**

We found no significant exceptions as a result of the combined procedures applicable to this line item and for coaching salaries, benefits, and bonuses.

### **Analytical Findings:**

There was no significant variance in Support Staff and Administrative Salaries, Benefits, and Bonuses expense during the fiscal years ended June 30, 2013 and 2012. The budget did not break out this line item from Coaching Salaries, Benefits, and Bonuses. Therefore, a true budget to actual comparison cannot be made. Overall, no significant variance was noted between budgeted amounts in aggregate for these two line items as compared to actual costs.

## **SEVERANCE PAYMENTS:**

We obtained a listing of all former employees who received severance payments during the fiscal year ended June 30, 2013 and traced each amount to the FAU's payroll reports. We also selected the three largest severance payments for additional testing. For each of these selections, we reviewed the former employee's personnel file, noting documentation of his/her termination and severance payments.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Severance Payments decreased from \$431,837 during the fiscal year ended June 30, 2012 to \$167,219 during the fiscal year ended June 30, 2013. This decrease is due to fewer staff changes resulting in fewer severance payouts. This expense category is not individually budgeted for; therefore, a budget to actual comparison cannot be made.

## **RECRUITING:**

We obtained and reviewed the recruiting policies for the Athletics Department. 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 Associate Athletic Director for compliance. There must be an approved expense request prior to taking a recruiting trip for an authorized staff member.

## **RECRUITING (CONTINUED):**

We selected the four departments with the largest recruiting expenses and haphazardly selected ten different expenses from within these four departments. We obtained copies of the invoices for the items selected and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Recruiting expenses increased from \$350,151 during the fiscal year ended June 30, 2012 to \$446,375 during the fiscal year ended June 30, 2013. Fluctuations for this expense line item are common as roster turnover from year-to-year may vary significantly as a result of graduations, transfers, and drop-outs. Coaching staffs may also differ in their recruiting methodologies, resulting in variances in expenditures for this line item. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item.

## **TEAM TRAVEL:**

We obtained and reviewed the team travel policies for the Athletics Department. It is required that the prospective traveler (whether a team, a prospective individual, or a coach) submit requests to the Athletics Department in writing for the expected travel. This submission is done on forms provided by the Athletics Department. A travel itinerary form must be submitted with the name and the internally assigned account numbers 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 of Florida will reimburse certain travel expenses, such as rental vehicles and hotel accommodations. We selected the 4 departments with the largest team travel expenses and haphazardly selected 10 items to inspect. We obtained a copy of the applicable invoices and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Actual expenses for Team Travel increased from \$1,962,574 during the fiscal year ended June 30, 2012 to \$2,261,749 during the fiscal year ended June 30, 2013. The fluctuation for this line item is expected from year to year as athletic teams' out-of-conference schedules differ each season. Additionally, as the cost of travel rises over time it is expected that this line item will gradually increase year-to-year. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item.

## **EQUIPMENT, UNIFORMS, AND SUPPLIES:**

From a report supplied by the Athletics Department, we haphazardly selected a sample of ten Equipment, Uniforms, and Supplies expenses from the five sports with the largest of such expenses. We obtained copies of the invoices for the items selected and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Actual expenses for Equipment, Uniforms, and Supplies decreased from \$1,228,940 during the fiscal year ended June 30, 2012 to \$857,098 during the fiscal year ended June 30, 2013. This decrease is attributable to the sustainability of the equipment purchased from the previous year still utilized in the current fiscal year. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item.

## **GAME EXPENSES:**

From a report supplied by the Athletics Department, we haphazardly selected a sample of ten game expenses from four departments with significant game expense totals. We obtained a copy of the invoices for the ten selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Game expenses decreased from \$1,027,551 during the fiscal year ended June 30, 2012 to \$825,270 during the fiscal year ended June 30, 2013. This decrease is primarily due to construction performed on FAU's pool during the year ended June 30, 2013 resulting in the swimming and diving teams competing exclusively at other schools during the year. Additionally in the prior year, the football team played one game in Michigan for which FAU was the designated home team. This game resulted in higher than usual game expenses. There was no such home games outside of FAU's own stadium during the year ended June 30, 2013. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item.

## **FUND RAISING, MARKETING, AND PROMOTION:**

From a report supplied by the Athletics Department, we haphazardly selected a sample of nine Fund Raising, Marketing, and Promotion expenses from the three departments with the largest of such expenses. We obtained copies of the invoices for the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Fund raising, marketing, and promotions expenses decreased from \$821,320 during the fiscal year ended June 30, 2012 to \$490,974 during the fiscal year ended June 30, 2013. The new football stadium's opening in the prior year resulted in elevated totals for this category for the year ended June 30, 2012. The current year's quantification is more in line with historical totals. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item.

## **DIRECT FACILITIES, MAINTENANCE, AND RENTAL:**

From a report supplied by the Athletics Department, we haphazardly selected a sample of ten Direct Facilities, Maintenance, and Rental expenses from three departments with such expenses. We obtained a copy of the invoices applicable to the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Direct Facilities, Maintenance, and Rental expense increased from \$842,930 during the fiscal year ended June 30, 2012 to \$1,720,069 during the fiscal year ended June 30, 2013. This increase is primarily attributable to various external events hosted by FAU in their new football stadium during the year ended June 30, 2013. Such events include a professional lacrosse all-star game, several international soccer matches, and high school football championship games. These external events did not take place at FAU in the preceding year. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item.

## **SPIRIT GROUPS:**

From a report supplied by the Athletics Department, we haphazardly selected a sample of five Spirit Group expenses from three departments with such expenses. We obtained a copy of the invoices applicable to the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

## **SPIRIT GROUPS (CONTINUED):**

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Spirit Group expense increased from \$42,606 during the fiscal year ended June 30, 2012 to \$105,212 during the fiscal year ended June 30, 2013. The increase is attributable to the fact that both the cheerleading and dance team increased in size. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item.

## **INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT:**

As detailed in the Indirect Facilities and Administrative Support revenue category findings, FAU does not track the indirect institutional support for the Athletics Department's utilities expense, and as such, \$205,411 has been allocated for utilities associated with the new on-campus stadium and another \$550,000 has been allocated for electricity used for the lights on various fields, grounds, and offices of the Athletics Department. These amounts represent estimates made by the University of usage by the Athletics Department.

Also included in this expense category is \$588,307 in indirect support from the FAU Academics Department, and \$38,165 in indirect support associated with the cost of security for various sporting events.

### **Findings:**

We found no exceptions as a result of the procedures performed as described in the Indirect Facilities and Administrative Support revenue section.

### **Analytical Findings:**

Indirect Facilities and Administrative Support decreased from \$1,449,435 during the fiscal year ended June 30, 2012 to \$1,381,883 during the fiscal year ended June 30, 2013. This decrease is for the same reason as described in the offsetting revenue section. This expense category was not budgeted because it is offset by Indirect Facilities and Administrative Support revenue.

## **MEDICAL EXPENSES AND MEDICAL INSURANCE:**

We haphazardly selected a sample of five Medical and Medical Insurance expenses from two departments that had a significant amount of these expenses. We obtained a copy of the invoices applicable to the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.



## **MEDICAL EXPENSES AND MEDICAL INSURANCE (CONTINUED):**

### **Analytical Findings:**

Medical Expenses and Medical Insurance decreased from \$426,297 during the fiscal years ended June 30, 2012 to \$334,997 during the fiscal year ended June 30, 2013. This decrease is primarily the result of insurance coverage changes among FAU's student athletes during the year ended June 30, 2013. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item.

### **MEMBERSHIPS AND DUES:**

From a report provided by the Athletics Department, we selected three Membership and Dues expenses from three departments that had such expenses. We obtained copies of the three invoices and agreed them to the general ledger. We also assessed whether the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was no significant variance in Membership and Dues expense during the fiscal years ended June 30, 2013 and 2012. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item.

### **OTHER OPERATING EXPENSES:**

From a report provided by the Athletics Department, we haphazardly selected a sample of ten Other Operating expenses from five departments with such expenses. We obtained copies of the invoices applicable to the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Other Operating expenses increased from \$774,321 during the fiscal year ended June 30, 2012 to \$1,250,031 during the fiscal year ended June 30, 2013. This variance is primarily due to various increased miscellaneous expenses during the year ended June 30, 2013 for which other expense line items do not specifically apply. Significant components of this line item that increased in the current year as compared to the prior year include: expenses associated with the rental of space in the football stadium, professional travel for administrators and staff, monthly phone charges, mailroom charges, parking charges, and various other office and administrative expenses.

**OTHER OPERATING EXPENSES (CONTINUED):**

This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item.

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 Revenues and Expenses of the Florida Atlantic University Athletics 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 management of the Athletics Department, the Board of Trustees of FAU, the State of Florida Board of Education, and the NCAA, and is not intended to be and should not be used by anyone other than these specified parties.

*Mayor Hoffman McCann P.C.*

Boca Raton, Florida  
January 8, 2014

**FLORIDA ATLANTIC UNIVERSITY INTERCOLLEGIATE ATHLETICS PROGRAM  
STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013 (UNAUDITED)**

	<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>
<b>REVENUES</b>						
Ticket sales	\$ 833,436	\$ 93,628	\$ 2,849	\$ 34,864	\$ 10	\$ 964,787
Student fees	2,786,255	342,572	274,058	7,879,163	-	11,282,048
Guarantees	1,600,000	320,000	40,000	6,500	-	1,966,500
Contributions	973,247	69,158	11,917	168,784	1,180,862	2,403,968
Direct institutional support	284,661	81,812	65,463	325,914	3,168,708	3,926,558
Indirect facilities and administrative support	3,855	8,399	3,984	21,928	1,343,717	1,381,883
NCAA/conference distributions	-	-	-	33,202	944,499	977,701
Program sales, concessions, novelty sales, and parking	202,094	9,703	-	1,620	82,382	295,799
Royalties, licensing, advertisements, and sponsorships	-	-	-	200	745,193	745,393
Endowment and investment income	-	-	-	2,316	-	2,316
Other revenues	15,965	-	-	99,943	476,583	592,491
<b>Total revenues</b>	<u>6,699,513</u>	<u>925,272</u>	<u>398,271</u>	<u>8,574,434</u>	<u>7,941,954</u>	<u>24,539,444</u>
<b>EXPENSES</b>						
Athletic student aid	2,208,687	377,206	374,493	2,082,095	142,674	5,185,155
Guarantees	460,000	5,500	-	23,798	-	489,298
Coaching salaries, benefits, and bonuses	1,648,623	556,180	422,822	1,328,366	-	3,955,991
Support staff and administrative salaries, benefits, and bonuses	220,968	36,362	39,077	-	2,068,853	2,365,260
Severance payments	56,135	-	5,182	54,957	50,945	167,219
Recruiting	206,012	82,859	48,248	77,620	31,636	446,375
Team travel	864,270	363,998	177,484	846,238	9,759	2,261,749
Equipment, uniforms, and supplies	259,988	67,832	32,406	253,810	243,062	857,098
Game expenses	495,478	117,399	62,386	114,974	35,033	825,270
Fundraising, marketing, and promotion	68,754	-	-	12,955	409,265	490,974
Direct facilities, maintenance, and rental	144,353	1,442	-	6,125	1,568,149	1,720,069
Spirit groups	-	-	-	-	105,212	105,212
Indirect facilities and administrative support	3,855	8,399	3,984	21,928	1,343,717	1,381,883
Medical expenses and medical insurance	1,500	-	-	-	333,497	334,997
Memberships and dues	820	425	2,195	12,150	115,317	130,907
Other operating expenses	89,795	16,086	21,237	103,864	1,019,049	1,250,031
<b>Total expenses</b>	<u>6,729,238</u>	<u>1,633,688</u>	<u>1,189,514</u>	<u>4,938,880</u>	<u>7,476,168</u>	<u>21,967,488</u>
<b>Excess (deficiency) of revenues over (under) expenses</b>	<u>\$ (29,725)</u>	<u>\$ (708,416)</u>	<u>\$ (791,243)</u>	<u>\$ 3,635,554</u>	<u>\$ 465,786</u>	<u>\$ 2,571,956</u>