



Item: AF: I-2

## AUDIT AND FINANCE COMMITTEE

Tuesday, March 15, 2016

**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, 2015. 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, 2015.

**Presented by:**

Ms. Dorothy Russell, Vice President for Financial Affairs and CFO  
Mr. Patrick Chun, Vice President for Athletics

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**FLORIDA ATLANTIC UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM**

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

**FOR THE YEAR ENDED JUNE 30, 2015**



## INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES

John W. Kelly, Ph.D., 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 (the "Athletics Department" or the "Program") is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3.1 for the fiscal year ended June 30, 2015. 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, 2015 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 over 10% of the total revenues to prior period amounts and budget estimates (as applicable). We obtained and documented an understanding of any variations over the lesser of \$1,000,000 or 10%.
- 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 certain additional procedures (as applicable), for each of the following significant revenue categories:

**TICKET SALES:**

Approximately 83% of ticket sales were for football; therefore, the tickets sold for football games during the reporting period were selected for testing procedures. We obtained and reviewed FAU's internal Flash Report which quantifies all types of football tickets sold (individual game ticket sales, walk-up ticket sales, and season ticket sales). We compared the quantifications in this report to Event Audit Reports generated by FAU's ticket office, on a per game basis and in total. We also agreed the totals to the Program's general ledger detail.

**Findings:**

We found no exceptions as a result of these procedures.

**Analytical Findings:**

Revenue from ticket sales increased from \$956,750 during the fiscal year ended June 30, 2014 to \$1,075,903 during the fiscal year ended June 30, 2015. This increase is primarily due to the overall success of FAU's teams, and a greater emphasis on the sales of individual tickets, which are at premium price, rather than discounted group ticket sales. There was also a positive variance of approximately \$156,000 between actual ticket sales as compared to budgeted totals for the fiscal year ended June 30, 2015. This positive variance is primarily due to a reduction in the number of tickets sold that were discounted; thereby increasing the percentage of tickets that were sold at full price.

**DIRECT STATE OR OTHER GOVERNMENT SUPPORT:**

Revenue reported for this line item represents a government subsidy to cover the debt on FAU's on-campus football stadium. We obtained the applicable bank statements containing the two deposits of funds received from the U.S. Treasury for this purpose during the fiscal year ended June 30, 2015.

**Findings:**

We found no exceptions as a result of these procedures

**Analytical Findings:**

This line item was not reported on the Statement for the fiscal year ended June 30, 2014; therefore, a comparison between fiscal 2015 and 2014 is not applicable. Accordingly, as this amount had not been reported in the preceding year, it was not budgeted for the fiscal year ended June 30, 2015; therefore, a budget to actual analysis also is not applicable.

**STUDENT FEES:**

We obtained a schedule from the Athletics Department which detailed the number of semester hours that the overall student body was enrolled in for the semesters falling within the fiscal year ended June 30, 2015. During the fiscal year, FAU charged each student a fee of \$17.27 per semester hour for general athletics, as calculated on the schedule obtained. We agreed this rate to a breakdown of tuition costs as reported on FAU's website. 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, and is consistent with the preceding year.

**STUDENT FEES (CONTINUED):**

**Findings:**

We found no exceptions as a result of these procedures.

**Analytical Findings:**

There was no significant variance in Student Fees revenue during the fiscal years ended June 30, 2015 and 2014. There was also no significant variance between budgeted and actual results for this line item during the fiscal year ended June 30, 2015.

**DIRECT INSTITUTIONAL SUPPORT:**

For the fiscal year ended June 30, 2015, FAU approved \$3,209,795 in direct institutional support. Of this amount, \$737,947 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 \$2,000,000 to the Athletics Department. Revenue of \$247,246 relating to Title IX and various other miscellaneous amounts aggregating \$224,602 comprise the remaining totals included as Direct Institutional Support as reported on the Statement. For each of these amounts, we obtained and reviewed Journal Entry Detail forms and other documentation from the FAU Controller's Office for the transfers of these funds to the Athletics Department.

**Findings:**

We found no exceptions as a result of these procedures.

**Analytical Findings:**

Direct Institutional Support revenue increased from \$2,782,071 during the fiscal year ended June 30, 2014 to \$3,209,795 during the fiscal year ended June 30, 2015. This increase is primarily due to the fact that FAU increased its scholarship allotment for the Athletics Department. There was no significant variance between budgeted and actual results for this line item during the fiscal year ended June 30, 2015.

**INDIRECT INSTITUTIONAL SUPPORT:**

The Athletics Department received \$2,998,461 in indirect support from the University applicable to the fiscal year ended June 30, 2015. This amount was derived by an estimated allocation percentage of 11.19% of the Athletics Department's total expenditures for the fiscal year. This methodology was implemented for the fiscal year ended June 30, 2015 as management believes it is a more accurate way to quantify the support to be granted by the University to the Athletics Department. We examined internal documentation stipulating this new methodology and we recalculated the quantification of the support received.

**Findings:**

We found no exceptions as a result of these procedures.

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

### **Analytical Findings:**

Indirect Institutional Support revenue increased from \$1,447,683 for the fiscal year ended June 30, 2014 to \$2,998,461 for the fiscal year ended June 30, 2015. This increase is primarily due to a new methodology, as discussed above, that was implemented for the fiscal year ended June 30, 2015, as well as rising overhead costs for which this support is intended to compensate the Athletics Department. This revenue line item was not budgeted because it is offset by Indirect Institutional Support expenses.

### **GUARANTEES:**

We obtained and reviewed three athletic agreements/contracts (comprising approximately 53% of total guarantee revenue) which detail the guarantees revenue that was received by FAU for participation in away games. We traced the amounts reported on the general ledger to the applicable athletic agreements/contracts. 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:**

Guarantees revenue increased from \$1,983,500 for the fiscal year ended June 30, 2014 to \$2,269,305 for the fiscal year ended June 30, 2015. The primary reason for this increase is that during the fiscal year ended June 30, 2014, FAU had two games which combined for \$1.5 million in guarantee revenue, whereas, there were two games during the fiscal year ended June 30, 2015 which combined for nearly \$2 million. There was no significant variance between budgeted and actual results for this line item during the fiscal year ended June 30, 2015.

### **CONTRIBUTIONS:**

The Florida Atlantic University Foundation, Inc. (the "Foundation") 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 copy of the Foundation's income statement which quantified all contributions received by the Athletics Department through the Foundation.

For each contribution of at least 10% of the total of contributions for the fiscal year ended June 30, 2015, we examined supporting documentation within the Athletics Department's database to agree the amount of the contribution. The largest component within the detail was \$730,094 which represented donations received for payment on the loan for the football stadium. For this amount we saw documentation of the transfer of these funds from the Foundation for this purpose. We also 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, 2015.

**CONTRIBUTIONS (CONTINUED):**

**Findings:**

We found no exceptions as a result of these 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, 2015. 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:**

Contributions revenue decreased from \$2,502,017 during the fiscal year ended June 30, 2014 to \$1,885,080 during the fiscal year ended June 30, 2015. This decrease is primarily due to the fact that in the preceding year, FAU had received an unusually large donation of \$985,000 that did not repeat in the fiscal year ended June 30, 2015. There was also a negative variance of approximately \$2,900,000 between actual contributions revenue as compared to budgeted totals for the fiscal year ended June 30, 2015. This negative variance is primarily due to the fact that the Foundation did not contribute to the Athletics Department in the amounts that had been anticipated prior to the start of the fiscal year. Additionally, the Athletics Department did not receive a contribution similar to the \$985,000 received in the preceding year.

**MEDIA RIGHTS:**

We obtained and reviewed the media rights agreement which detail the revenue that was received by FAU. We agreed the media rights revenue received to reports obtained from Conference USA, as well as to FAU's general ledger and other internal FAU supporting documentation.

**Findings:**

We found no exceptions as a result of these procedures.

**Analytical Findings:**

Comparison of this line item between the fiscal years ended June 30, 2014 and 2015 is not possible as this revenue line item is new for fiscal 2015 reporting requirements. Additionally, as there was no prior year precedent for which to base a budget estimate, this line item was not budgeted for the fiscal year ended June 30, 2015.

**NCAA DISTRIBUTIONS:**

FAU received the following NCAA distributions during the fiscal year ended June 30, 2015: \$429,507 for an athletics grants-in-aid award; \$72,739 for NCAA Academic Enhancement; \$263,833 from NCAA Student Athletic Opportunity Fund revenue; \$89,040 in Supplemental NCAA revenue distributions; \$35,035 for Post Season Distribution (Softball and Baseball); and \$7,323 in miscellaneous other revenue. These receipts total \$897,477, as reported on the Statement.

For each of the four largest amounts itemized above, we received and reviewed the postings in the general ledger detail and the corresponding NCAA or other agreement and documentation.

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

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Under the reporting requirements for the fiscal year ended June 30, 2014, NCAA Distributions revenue was combined with Conference Distributions revenue (see the section below). When combining these two line items, aggregate revenue increased from \$976,218 for the fiscal year ended June 30, 2014 to \$3,144,848 for the fiscal year ended June 30, 2015. This increase is primarily due to significantly increased revenue from Conference Distributions as a result of FAU's recent inclusion in Conference USA. There was no significant variance between actual and budgeted totals applicable to these two line items in aggregate for the fiscal year ended June 30, 2015.

## **CONFERENCE DISTRIBUTIONS:**

FAU received the following conference distributions during the fiscal year ended June 30, 2015: \$406,741 for sports sponsorship fund; \$1,816,198 for Conference USA revenue distributions; and \$24,432 from official fund reallocations for various sports. These receipts total \$2,247,371, as reported on the Statement.

For each of the above components of this revenue line item, we traced and agreed the amounts to FAU's general ledger. For the sports sponsorship fund revenue and the Conference USA revenue distributions we also traced and agreed the amounts to documentation of the funds being transferred to FAU.

### **Findings:**

We found one exception as a result of these procedures. Conference USA revenue distributions in the amount of \$711,417 pertained to the fiscal year ended June 30, 2014 and was received by FAU in June 2014. However, this amount has been reported in revenue for the fiscal year ended June 30, 2015. We found no other exceptions as a result of our procedures.

### **Analytical Findings:**

Under the reporting requirements for the fiscal year ended June 30, 2014, NCAA Distributions revenue (see the section above) were combined with Conference Distributions revenue. When combining these two line items, aggregate revenue increased from \$976,218 for the fiscal year ended June 30, 2014 to \$3,144,848 for the fiscal year ended June 30, 2015. This increase is primarily due to significantly increased revenue from Conference Distributions as a result of FAU's recent inclusion in Conference USA. There was no significant variance between actual and budgeted totals applicable to these two line items in aggregate for the fiscal year ended June 30, 2015.

## **PROGRAM, NOVELTY, PARKING AND CONCESSION SALES**

Revenue reported on this line item primarily consists of catering, parking, and concessions for football and men's basketball. We obtained and reviewed supporting documentation applicable to these revenue sources and also tied the amounts reported on the Statement to FAU's general ledger detail.



## **PROGRAM, NOVELTY, PARKING AND CONCESSION SALES (CONTINUED)**

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was not a significant variance in Program, Novelty, Parking and Concession Sales during the fiscal year ended June 30, 2015 as compared to the fiscal year ended June 30, 2014. There was a negative variance of approximately \$752,000 between revenue recorded on the Statement for this line item as compared to budgeted totals for the fiscal year ended June 30, 2015. This negative variance is primarily due to the fact that the budgeted total included amounts pertaining to events held outside FAU for which the actual revenue was recorded on the Other Operating Revenue line item.

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

FAU has entered into various royalty, licensing, advertisement and sponsorship agreements with outside parties. We obtained a sponsorship revenue schedule quantifying total revenue recorded to this category during the fiscal year ended June 30, 2015. We selected the three largest totals on this schedule for testing. Our selections comprised approximately 99% of the total revenue reported for this line item. For each of the selections we examined the corresponding agreement and traced the corresponding revenue to FAU's general ledger detail.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Royalties, Licensing, Advertisement and Sponsorships revenue increased from \$575,459 during the fiscal year ended June 30, 2014 to \$790,664 during the year ended June 30, 2015. This increase is primarily attributable to a change of a certain major sponsor during the fiscal year ended June 30, 2014 which resulted in delays in certain payments that were expected to be received in that fiscal year but weren't received until fiscal 2015. There was a negative variance of approximately \$359,000 between actual revenue for this line item as compared to budgeted totals for the fiscal year ended June 30, 2015. This negative variance is primarily due to the fact that FAU had budgeted for naming rights on the football stadium, but such funds were not received.

## **OTHER OPERATING REVENUE:**

Other Operating 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 the general ledger and haphazardly selected ten entries recorded as Other Operating Revenue for testing. For each selection we obtained the corresponding invoice, the check or wire transfer, and an internally generated Journal Voucher Form from FAU's Cashier's Office, to ascertain that each entry was recorded in the proper amount and in the proper period.

## **OTHER OPERATING REVENUE (CONTINUED):**

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Other operating revenue increased from \$792,874 during the fiscal year ended June 30, 2014 to \$1,497,374 during the fiscal year ended June 30, 2015. This increase is primarily attributable to there being more outside events held in FAU's facilities during the fiscal year ended June 30, 2015 as compared to the preceding year. A budget to actual comparison is not practical for this line item as most of the revenue recorded for this line item pertained to outside events which generate revenue that was budgeted for in other line items (such as the Program, Novelty, Parking and Concession Sales line item).

### **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 over 10% of the total expenses to prior period amounts and budget estimates (as applicable). We obtained and documented an understanding of any variations over the lesser of \$1,000,000 or 10%.
- 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 (as applicable), for each of the following significant expense categories:

### **ATHLETIC STUDENT AID:**

From the Athletics Department we obtained and reviewed a listing of student aid recipients during the reporting period and selected thirty students for testing. Our sample size of thirty was derived based on 10% of the total population, as stipulated by the NCAA for schools which utilize the NCAA Compliance Assistance Software Program. We obtained each selected student's signed award letter and billing statement for the fiscal year ended June 30, 2015. 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 a books stipend of \$400 per semester. 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.

## **ATHLETIC STUDENT AID (CONTINUED):**

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was no significant variance in Athletic Student Aid expense during the fiscal years ended June 30, 2015 and 2014. There was a negative variance of approximately \$1,415,000 between expenses reported on the Statement for this line item as compared to budgeted totals for the fiscal year ended June 30, 2015. This negative variance is primarily due to the fact that the budgeted total includes amounts such as waivers and financial aid which is paid directly to the students, thus does not get recorded as expenses reported for the Athletics Department.

## **GUARANTEES:**

We obtained and reviewed three athletic agreements/contracts (comprising approximately 92% of total guarantees expense) which detail the guarantees expenses incurred by FAU for participation of other schools in FAU home games. We traced the amounts reported on the general ledger to the applicable athletic agreements/contracts. 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:**

Guarantees expense decreased from \$320,100 for the fiscal year ended June 30, 2014 to \$227,500 for the fiscal year ended June 30, 2015. This decrease is primarily due to the fact that for each year there was one game for which a significant guarantee expense was incurred, but the expense for the game in fiscal 2014 was for \$300,000 as compared to \$200,000 for the game in fiscal 2015. There was no significant variance between budgeted and actual results for this line item during the fiscal year ended June 30, 2015.

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

We obtained a schedule of coaches' salaries from the Athletics Department from which we selected ten coaches for testing. Our sample of ten coaches included coaches from football, men's basketball, and women's basketball as stipulated by the NCAA's requirements, as well as some coaches for other sports. For each coach selected, we obtained an internally generated report from FAU's payroll department and agreed gross salary to the Athletics Department's schedule as well as to the executed contracts for each coach. Additionally we agreed the total expenses to the Athletics Department's general ledger detail.

### **Findings:**

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

**COACHING SALARIES, BENEFITS AND BONUSES PAID BY THE UNIVERSITY AND RELATED ENTITIES (CONTINUED):**

**Analytical Findings:**

Coaching salaries, benefits and bonuses paid by the University and related entities increased from \$4,165,219 during the fiscal year ended June 30, 2014 to \$4,649,473 during the fiscal year ended June 30, 2015. This variance is primarily due to the fact that both the football head coach and men's basketball head coach were newly hired during the middle of fiscal 2014 and were hired at salaries higher than their predecessors. These higher salaries were in effect for only a portion of fiscal 2014, whereas they were in effect for all of fiscal 2015. There was no significant variance between budgeted and actual results for this line item during the fiscal year ended June 30, 2015.

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

We obtained a schedule of support staff and administrative personnel's salaries from the Athletics Department from which we selected five employees for testing. For each employee selected, we obtained an internally generated report from FAU's payroll department and agreed gross salary to the Athletics Department's schedule. Additionally we agreed the total expenses to the Athletics Department's general ledger detail.

**Findings:**

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

**Analytical Findings:**

Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities increased from \$2,692,895 during the fiscal year ended June 30, 2014 to \$3,232,750 during the fiscal year ended June 30, 2015. This variance is primarily due to an increase in personnel hired during the year ended June 30, 2015 in various departments such as compliance, marketing, media relations, and the training room. There was no significant variance between budgeted and actual results for this line item during the fiscal year ended June 30, 2015.

**SEVERANCE PAYMENTS:**

In accordance with the guidelines of the NCAA's 2015 Agreed Upon Procedures document, no procedures were performed for this line item as the reported amount for this expense was below 0.5% of total expenses reported on the Statement.

**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 obtained an understanding of FAU's recruiting expense policies, and we assessed compliance to the NCAA's regulations. We also obtained an internally generated schedule outlining Recruiting expenses by team. We compared the total of this schedule to the general ledger and to the amount recorded on the Statement. Additionally, we compared the totals for the three largest sports, comprising approximately 70% of total Recruiting expense, to the general ledger and to the amounts recorded on the Statement.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Recruiting expenses increased from \$451,502 during the fiscal year ended June 30, 2014 to \$555,530 during the fiscal year ended June 30, 2015. This variance is primarily due to increased out of state recruiting efforts applicable to various sports. This line item was budgeted in aggregate with several other expense line items (Team Travel, Sports Equipment, Uniforms and Supplies, and Game Expenses). In aggregate, there was no significant variance between budgeted and actual amounts for these expenses.

## **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 obtained an understanding of FAU's Team Travel expense policies, and we assessed compliance to the NCAA's regulations. We also obtained an internally generated schedule outlining Team Travel expenses by team. We compared the total of this schedule to the general ledger and to the amount recorded on the Statement. Additionally, we compared the totals for the three largest sports, comprising approximately 63% of total Team Travel expense, to the general ledger and to the amounts recorded on the Statement.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was no significant variance in Team Travel expense during the fiscal years ended June 30, 2015 and 2014. This line item was budgeted in aggregate with several other expense line items (Recruiting, Sports Equipment, Uniforms and Supplies, and Game Expenses). In aggregate, there was no significant variance between budgeted and actual amounts for these expenses.

**SPORTS EQUIPMENT, UNIFORMS AND SUPPLIES:**

From the Program's general ledger, we haphazardly selected 5 expenses recorded as Sports Equipment, Uniforms and Supplies during the fiscal year ended June 30, 2015. We obtained copies of the invoices for the selected expenses and assessed whether they were recorded in the proper amount, the proper reporting period, the proper expense category, and that they were approved for payment.

**Findings:**

We found no exceptions as a result of these procedures.

**Analytical Findings:**

There was no significant variance in Sports Equipment, Uniforms, and Supplies expense during the fiscal years ended June 30, 2015 and 2014. This line item was budgeted in aggregate with several other expense line items (Recruiting, Team Travel, and Game Expenses). In aggregate, there was no significant variance between budgeted and actual amounts for these expenses.

**GAME EXPENSES:**

From the Program's general ledger, we haphazardly selected 10 expenses recorded as Game Expenses during the fiscal year ended June 30, 2015. We obtained copies of the invoices for the selected expenses and assessed whether they were recorded in the proper amount, the proper reporting period, the proper expense category, and that they were approved for payment.

**Findings:**

We found no exceptions as a result of these procedures.

**Analytical Findings:**

Game expenses increased from \$1,220,967 during the fiscal year ended June 30, 2014 to \$1,634,870 during the fiscal year ended June 30, 2015. This increase is primarily due to classification differences relating to football game day expenses that were not recorded in this line item for fiscal 2014 but were reclassified to this line item for fiscal 2015. This line item was budgeted in aggregate with several other expense line items (Recruiting, Team Travel, and Sports Equipment, Uniforms and Supplies). In aggregate, there was no significant variance between budgeted and actual amounts for these expenses.

**FUNDRAISING, MARKETING AND PROMOTION:**

From the Program's general ledger, we haphazardly selected 5 expenses recorded as Fundraising, Marketing and Promotion expenses during the fiscal year ended June 30, 2015. We obtained copies of the invoices for the selected expenses and assessed whether they were recorded in the proper amount, the proper reporting period, the proper expense category, and that they were approved for payment.

**Findings:**

We found no exceptions as a result of these procedures.

## **FUNDRAISING, MARKETING AND PROMOTION (CONTINUED):**

### **Analytical Findings:**

Fundraising, marketing and promotion expenses increased from \$490,284 during the fiscal year ended June 30, 2014 to \$592,800 during the fiscal year ended June 30, 2015. This increase is primarily due to expanded usage of various advertising mediums such as TV, radio, and social media during fiscal 2015, in part to promote a football game against the University of Miami in the fall of 2015. Budgeted totals for this line item exceeded actual totals by approximately \$138,000. The primary reason for this variance was that certain expenses that were budgeted for as promotional were reported on the Game Expenses line item in accordance with NCAA instructions.

### **SPIRIT GROUPS:**

In accordance with the guidelines of the NCAA's 2015 Agreed Upon Procedures document, no procedures were performed for this line item as the reported amount for this expense was below 0.5% of total expenses reported on the Statement.

## **ATHLETIC FACILITIES DEBT SERVICE, LEASES AND RENTAL FEES**

The Athletic Facilities Debt Service, Leases and Rental Fees expense line item on the Statement is comprised entirely of debt service payments consisting of both principal and interest aggregating \$3,492,357. These payments were made during the fiscal year ended June 30, 2015 and related to the debt associated with FAU's football stadium. We obtained the University's general ledger showing principal and interest payments to the financial institution holding the debt on the stadium. The aggregate of these payments agree to the amount reported on the Statement. Additionally, we examined statements from the financial institution showing receipt of such funds.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

This line item was not individually reported on the Statement for the fiscal year ended June 30, 2014 as it was previously included within Direct Facilities, Maintenance and Rental expenses. Therefore, a comparison between fiscal 2015 and 2014 for this specific line item is not applicable. Expenses reported on the Statement exceeded budgeted amounts by approximately \$527,000 for the year ended June 30, 2015. This variance is primarily due to the fact that the budgeted total for this line item does not include the portion of the debt that is paid from amounts derived from student fees.

## **DIRECT OVERHEAD AND ADMINISTRATIVE EXPENSES:**

From the Program's general ledger, we haphazardly selected 10 expenses recorded as Direct Overhead and Administrative expenses during the fiscal year ended June 30, 2015. We obtained copies of the invoices for the selected expenses and assessed whether they were recorded in the proper amount, the proper reporting period, the proper expense category, and that they were approved for payment.

### **Findings:**

There was one selection for which the corresponding invoice could not be located. However, we examined the Athletic Department's database applicable to this transaction and noted no exceptions. We found no other exceptions as a result of these procedures.

### **Analytical Findings:**

Direct Overhead and Administrative expenses decreased from \$3,720,816 during the fiscal year ended June 30, 2014 to \$2,169,640 during the fiscal year ended June 30, 2015. This decrease is primarily due to various classification differences between the fiscal years. In particular, debt service payments relating to the football stadium has been recorded as its own line item for fiscal 2015 (see Athletics Facilities Debt Service, Leases and Rental Fees section above), whereas these amounts were recorded on this line item for fiscal 2014. Additionally, certain game day expenses were reclassified to Game Expenses for fiscal 2015, whereas these amounts were also recorded on this line item for fiscal 2014. Actual Direct Overhead and Administrative Expenses reported on the Statement exceeded budgeted amounts by approximately \$533,000 for the year ended June 30, 2015. This variance is primarily due to the creation of a new sand volleyball facility on the FAU campus and upgrades to the football facility. These items were not included in budgeted totals.

## **INDIRECT INSTITUTIONAL SUPPORT:**

As detailed in the Indirect Institutional Support revenue category, the Athletics Department received \$2,998,461 in indirect support from the University applicable to the fiscal year ended June 30, 2015. This amount was derived by an estimated allocation percentage of 11.19% of the Athletics Department's total expenditures for the fiscal year. This methodology was implemented for the fiscal year ended June 30, 2015 as management believes it is a more accurate way to quantify the support to be granted by the University to the Athletics Department. We examined internal documentation stipulating this new methodology and we recalculated the quantification of the support received.

### **Findings:**

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



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

### **Analytical Findings:**

Indirect Institutional Support expense increased from \$1,447,683 for the fiscal year ended June 30, 2014 to \$2,998,461 for the fiscal year ended June 30, 2015. This increase is primarily due to a new methodology, as discussed above, which was implemented for the fiscal year ended June 30, 2015, as well as rising overhead costs for which this support is intended to compensate the Athletics Department. This expense line item was not budgeted because it is offset by Indirect Institutional Support revenue.

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

From the Program's general ledger, we haphazardly selected 5 expenses recorded as Medical Expenses and Medical Insurance during the fiscal year ended June 30, 2015. We obtained copies of the invoices applicable to the selected expenses and assessed whether they were recorded in the proper amount, the proper reporting period, the proper expense category, and that they were approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was no significant variance in Medical Expenses and Medical Insurance expense during the fiscal years ended June 30, 2015 and 2014. Budgeted totals for this expense line item exceeded actual reported amounts by approximately \$72,000. This variance is primarily due to less on the field injuries among FAU's athletes during the fiscal year ended June 30, 2015 than was anticipated.

### **MEMBERSHIPS AND DUES:**

From the Program's general ledger, we haphazardly selected 5 expenses recorded as Membership and Dues during the fiscal year ended June 30, 2015. We obtained copies of the invoices applicable to the selected expenses and assessed whether they were recorded in the proper amount, the proper reporting period, the proper expense category, and that they were approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Memberships and Dues increased from \$295,786 during the fiscal year ended June 30, 2014 to \$851,072 during the fiscal year ended June 30, 2015. This increase is primarily due to membership dues relating to FAU's inclusion in Conference USA for which the fees are greater than the Sun Belt Conference within which FAU previously competed. There was no significant variance between budgeted and actual results for this line item during the fiscal year ended June 30, 2015.

**OTHER OPERATING EXPENSES:**

From the Program's general ledger, we haphazardly selected 10 expenses recorded as Other Operating Expenses during the fiscal year ended June 30, 2015. We obtained copies of the invoices (as applicable) for the selected expenses and assessed whether they were recorded in the proper amount, the proper reporting period, the proper expense category, and that they were approved for payment. Two of our selections had no corresponding invoice as they are automatically generated from the University's general ledger. For these selections we obtained and examined supporting documentation and the corresponding entry in the general ledger.

**Findings:**

We found no exceptions as a result of these procedures.

**Analytical Findings:**

Other Operating Expenses increased from \$1,087,049 for the fiscal year ended June 30, 2014 to \$1,218,695 for the fiscal year ended June 30, 2015. This increase is primarily due to more outside events being held in FAU's facilities during the fiscal year ended June 30, 2015 as compared to the preceding year. The budgeted total for this expense line item exceeded the amount reported on the Statement by approximately \$236,000. This variance is primarily due to certain expenses that were budgeted for as other operating expenses were reported on other expense line items in accordance with NCAA instructions.

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.

*Mayer Hoffman McCann P.C.*

Boca Raton, Florida  
January 14, 2016

**FLORIDA ATLANTIC UNIVERSITY INTERCOLLEGIATE ATHLETICS PROGRAM  
STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015 (UNAUDITED)**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
<b>REVENUES</b>						
Ticket sales	\$ 897,617	\$ 100,597	\$ 6,107	\$ 71,582	-	\$ 1,075,903
Direct state or other government support	-	-	-	-	810,268	810,268
Student fees	2,888,107	376,710	326,482	8,413,181	-	12,004,480
Direct institutional support	203,108	101,398	105,707	327,734	2,471,848	3,209,795
Indirect institutional support	-	-	-	-	2,998,461	2,998,461
Guarantees	2,148,805	90,000	23,000	7,500	-	2,269,305
Contributions	109,045	20,000	4,776	97,373	1,653,886	1,885,080
Media rights	-	-	-	-	1,010,717	1,010,717
NCAA distributions	-	-	-	-	897,477	897,477
Conference distributions	-	-	-	-	2,247,371	2,247,371
Program, novelty, parking and concession sales	207,329	13,759	-	-	1,650	222,738
Royalties, licensing, advertisement and sponsorships	-	-	-	-	790,664	790,664
Other operating revenue	-	-	-	-	1,497,374	1,497,374
<b>Total revenues</b>	<b>6,454,011</b>	<b>702,464</b>	<b>466,072</b>	<b>8,917,370</b>	<b>14,379,716</b>	<b>30,919,633</b>
<b>EXPENSES</b>						
Athletic student aid	1,608,666	365,245	374,566	2,087,217	-	4,435,694
Guarantees	200,000	12,000	-	15,500	-	227,500
Coaching salaries, benefits and bonuses paid by the University and related entities	1,853,921	768,942	464,463	1,562,147	-	4,649,473
Support staff/administrative compensation, benefits and bonuses paid by the University and related entities	319,002	179,520	47,076	-	2,687,152	3,232,750
Severance payments	33,615	-	4,512	5,146	32,167	75,440
Recruiting	188,791	106,165	92,300	135,307	32,967	555,530
Team travel	904,829	277,989	165,167	817,816	-	2,165,801
Sports equipment, uniforms and supplies	380,496	43,790	37,056	325,248	157,810	944,400
Game expenses	475,067	109,185	89,200	221,646	739,772	1,634,870
Fundraising, marketing and promotion	-	-	-	-	592,800	592,800
Spirit groups	-	-	-	-	52,064	52,064
Athletic facilities debt service, leases and rental fees	-	-	-	-	3,492,357	3,492,357
Direct overhead and administrative expenses	-	-	-	-	2,169,640	2,169,640
Indirect institutional support	-	-	-	-	2,998,461	2,998,461
Medical expenses and medical insurance	-	-	-	-	497,814	497,814
Memberships and dues	1,600	420	4,248	6,763	838,041	851,072
Other operating expenses	116,169	17,480	8,392	45,622	1,031,032	1,218,695
<b>Total expenses</b>	<b>6,082,156</b>	<b>1,880,736</b>	<b>1,286,980</b>	<b>5,222,412</b>	<b>15,322,077</b>	<b>29,794,361</b>
<b>Excess (deficiency) of revenues over (under) expenses</b>	<b>\$ 371,855</b>	<b>\$ (1,178,272)</b>	<b>\$ (820,908)</b>	<b>\$ 3,694,958</b>	<b>\$ (942,361)</b>	<b>\$ 1,125,272</b>