



Item: AC: I-2

AUDIT AND COMPLIANCE COMMITTEE

Tuesday, June 27, 2017

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

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 3.2.4.15 for the year ended June 30, 2016. 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.

Supporting Documentation: FAU Intercollegiate Athletics Program Independent Accountant's Report on Agreed-upon Procedures for the Year Ended June 30, 2016.

Presented by:

Mr. Patrick Chun, Vice President for Athletics

Phone: 561-297-3199

**FLORIDA ATLANTIC UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

**INDEPENDENT ACCOUNTANTS' REPORT ON THE
APPLICATION OF AGREED-UPON PROCEDURES**

FOR THE YEAR ENDED JUNE 30, 2016

**FLORIDA ATLANTIC UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
TABLE OF CONTENTS
JUNE 30, 2016**

	<u>Page(s)</u>
Independent Accountants' Report on the Application of Agreed-Upon Procedures	1 – 13
Exhibits	
Exhibit I – Statement of Revenues and Expenses	14
Exhibit II – Notes to Statement of Revenues and Expenses	15 – 17

**INDEPENDENT ACCOUNTANTS' REPORT ON THE
APPLICATION OF AGREED-UPON PROCEDURES**

Dr. John Kelly, President,
Florida Atlantic University:

We have performed the procedures enumerated below, which were agreed to by the president of Florida Atlantic University (the University), solely to assist the University in evaluating whether the accompanying statement of revenues and expenses (Exhibit I) of the Florida Atlantic University Intercollegiate Athletics Program (the Program) is in compliance with the National Collegiate Athletic Program (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2016. The University's management is responsible for the statement of revenues and expenses (the Statement) and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Exceptions totaling the lesser of \$25,000 or 10% of the line item total to which an agreed-upon procedure has been applied to, other than exceptions related to internal control procedures of the Program, for which there are no thresholds, have been reported. The procedures that we performed and our findings are as follows:

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

Procedure	Finding
All Revenue Categories	
<ul style="list-style-type: none"> Compare and agree each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the Program. If a specific reporting category is less than 0.5% of the total revenues, no procedures are required for that specific category. 	No exceptions noted.
<ul style="list-style-type: none"> Compare and agree a sample of operating revenue receipts obtained from the above operating revenue supporting schedules to adequate supporting documentation. 	No exceptions noted.

Procedure	Finding
<ul style="list-style-type: none"> Compare each major revenue account over 10% of the total revenues to prior period amounts and budget estimates. Obtain and document an understanding of any variations over the lesser of \$1 million or 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report. 	<p>We noted no variations that exceed the thresholds for both total revenues to prior periods and budgeted estimates.</p>
Ticket Sales	
<ol style="list-style-type: none"> Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period and unsold tickets to the related revenue reported by the Program in the statement and the related attendance figures and recalculate totals. 	<p>No exceptions noted.</p>
Direct State or Other Governmental Support	
<ol style="list-style-type: none"> Compare direct state or other governmental support recorded by the Program during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation and recalculate totals. 	<p>No exceptions noted.</p>
Student Fees	
<ol style="list-style-type: none"> Compare and agree student fees reported by the Program in the statement for the reporting to student enrollments during the same reporting period and recalculate totals. 	<p>We were able to reconcile student fees reported by the Program to student enrollment data provided by the Florida Atlantic University (the University) within approximately \$308,000 or 2.52%. We noted that regular differences occur primarily due to refunds of athletic fees for dropped classes where the timing of such refunds may fall in a different fiscal year.</p>
<ol style="list-style-type: none"> Obtain and document an understanding of Institute's methodology for allocating student fees to intercollegiate athletics programs. 	<p>An understanding of the University's methodology was gained, and we noted the allocation was in accordance with the University's methodology.</p>
<ol style="list-style-type: none"> If the Program is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of their methodology for supporting that they are able to count each sport. Tie the calculation to supporting documents such as seat manifests, ticket sales reports and student fee totals. 	<p>No exceptions noted.</p>

Procedure

Finding

Direct Institutional Support

6. Compare the direct institutional support recorded by the Program during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.

The Program did not include approximately \$307,000 of tuition waivers related to the 2016 spring semester.

Less – Transfers to Institution

7. Compare the transfers back to the institution with permanent transfers back to the institution from the Program and recalculate totals.

As there were no transfers to institution for the year ended June 30, 2016, procedure was not performed.

Indirect Institutional Support

8. Compare the indirect institutional support recorded by the institution during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculate totals.

No exceptions noted.

Guarantees

9. Select a sample of settlement reports for away games during the reporting period and agree each selection to the Program's general ledger and/or the statement and recalculate totals.
10. Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compare and agree each selection to the Program's general ledger and/or the statement and recalculate totals.

No exceptions noted.

No exceptions noted.

Contributions

11. Any contributions of moneys, goods or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10 percent or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting periods shall obtain and review supporting documentation for each contribution and recalculate totals.

No exceptions noted.

In-Kind

12. Compare the in-kind recorded by the Program during the reporting period with a schedule of in-kind donations and recalculate totals.

As there were no in-kind revenues for the year ended June 30, 2016, procedure was not performed.

Procedure

Finding

Compensation and Benefits Provided by a Third-Party

- | | |
|---|---|
| 13. Obtain the summary of revenues from affiliated and outside organizations (the "Summary") as of the end of the reporting period from the Program and select a sample of funds from the Summary and compare and agree each selection to supporting documentation, the Program's general ledger and/or the Summary and recalculate totals. | As there was no third party support for the year ended June 30, 2016, this procedure was not performed. |
| 14. If the third party was audited by independent auditors, obtain the related independent auditors' report. | As there was no third party support for the year ended June 30, 2016, this procedure was not performed. |

Media Rights

- | | |
|--|--|
| 15. Obtain and inspect agreements to understand the institution's total media (broadcast, television, radio) rights received by the Program or through their conference offices as reported in the statement. | Agreements were obtained and an understanding of relevant terms and conditions was gained. |
| 16. Compare and agree the media right revenues to a summary statement of all media rights identified, if applicable, and the Program's general ledger and recalculate totals. Ledger totals may be different for total conference distributions if media rights are not broken out separately. | No exceptions noted. |

NCAA Distributions

- | | |
|--|----------------------|
| 17. Compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals. | No exceptions noted. |
|--|----------------------|

Conference Distributions

- | | |
|---|--|
| 18. Obtain and inspect agreements related to the Program's conference distributions and participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions. | Agreements were obtained and an understanding of the relevant terms and conditions was gained. |
| 19. Compare and agree the related revenues to the Program's general ledger, and/or the statement and recalculate totals. | No exceptions noted. |

Program Sales, Concessions, Novelty Sales and Parking

- | | |
|---|----------------------|
| 20. Compare the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales and parking as well as any other corroborative supporting documents and recalculate totals. | No exceptions noted. |
|---|----------------------|

Procedure	Finding
Royalties, Licensing, Advertisements and Sponsorships	
21. Obtain and inspect agreements related to the Program's participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions.	Agreements were obtained and an understanding of the relevant terms and conditions was gained.
22. Compare and agree the related revenues to the Program's general ledger, and/or the statement and recalculate totals.	No exceptions noted.
Sports Camp Revenues	
23. Inspect sports camp contract(s) between the institution and person(s) conducting institutional sports-camps or clinics during the reporting period to obtain an understanding of the Program's methodology for recording revenues from sports camps.	As there were no sports camp revenues for the year ended June 30, 2016, procedure was not performed.
24. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports-camp participants and agree each selection to the Program's general ledger, and/or the statement and recalculate totals.	As there were no sports camp revenues for the year ended June 30, 2016, procedure was not performed.
Athletics Restricted Endowment and Investment Income	
25. Obtain and inspect endowment agreements (if any) to gain an understanding of the relevant terms and conditions.	As there was no athletics restricted endowment or investment income for the year ended June 30, 2016, procedure was not performed.
26. Compare and agree the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income deferred within the related endowment agreement and recalculate totals.	As there was no athletics restricted endowment or investment income for the year ended June 30, 2016, procedure was not performed.
Other	
27. Perform minimum agreed-upon procedures referenced for all revenue categories and recalculate totals.	No exceptions noted and amounts and explanations for variations from the prior period and the budget are reasonable.
Bowl Revenues	
28. Obtain and inspect agreements related to the Program's revenues from post-season bowl participation during the reporting period to gain an understanding of the relevant term and conditions.	As there were no bowl revenues for the year ended June 30, 2016, procedure was not performed.
29. Compare and agree the related revenues to the Program's general ledger, and / or the statement and recalculate totals.	As there were no bowl revenues for the year ended June 30, 2016, procedure was not performed

Procedure

Finding

All Expense Categories

- Compare and agree each expense category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 0.5% of the total expenses, no procedures are required for that specific category.
- Compare and agree a sample of expenses obtained from the above operating expense supporting schedules to adequate supporting documentation.
- Compare each major expense account over 10% of the total expenses to prior period amounts and budget estimates. Obtain and document an understanding of any variations over the lesser of \$1 million or 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.

No exceptions noted.

No exceptions noted.

We noted no variations that exceed the thresholds for both total expenses to prior periods and budgeted estimates.

Athletic Student Aid

30. Select a sample of students (no less than 10% of the total student-athletes for institutions who have used NCAA's Compliance Assistant (CA) software to prepare athletic aid detail and no less than 20% of total student-athletes for institutions who have not) from the listing of institutional student aid recipients during the reporting period.
31. Obtain individual student account detail for each selection and compare total aid allocated from the related aid award letter to the student's account.
32. Perform a check of each student selected to ensure their information was reported accurately in either the NCAA's CA software or entered directly into the NCAA Membership Financial Reporting System using the following criteria:
 - The equivalency value for each student-athlete in all sports, including head-count sports, need to be converted to a full-time equivalency value. The full-time equivalency value is calculated using the athletic grant amount reported on the squad list as the numerator and the full grant amount which is the total cost for tuition, fees, books, room and board for an academic year as the denominator. If using the NCAA Compliance Assistant software, this equivalency value should already be calculated for you on that squad list labeled "Rev. Dist. Equivalent Award".

A sample of 21 student aid recipients was selected.

There were three student aid recipients for which we were unable to reconcile total aid allocated from the related aid award letter to the student's account.

No exceptions noted.

No exceptions noted.

Procedure	Finding
<ul style="list-style-type: none"> If an athlete participates in more than one sport, the Rev. Dist. Equivalent Award can only be included in one sport. NCAA Compliance Assistant software will place an asterisk by the student athlete within the sport that is not countable towards grants-in-aid revenue distribution. 	No exceptions noted.
<ul style="list-style-type: none"> All equivalency calculations should be rounded to two decimal places. The NCAA Compliance Assistant software and the on-line summary form will automatically round to two decimal places. 	No exceptions noted.
<ul style="list-style-type: none"> The full grant amount should be the full cost of tuition for an academic year, not semester. 	No exceptions noted.
<ul style="list-style-type: none"> If a sport is discontinued and the grant(s) are still being honored by the institution, the grant(s) may be included in the total. 	As there were no discontinued sports for the year ended June 30, 2016, this procedure was not performed.
<ul style="list-style-type: none"> Student-athletes receiving athletic aid who have exhausted their athletics eligibility or are inactive due to medical reasons should be included in the grants-in-aid calculation, marked properly on the squad list and on the Grants-in-Aid submission form. 	No exceptions noted.
<ul style="list-style-type: none"> Only athletic grants awarded in sports in which the NCAA conducts championship competitions, emerging sports for women and football should be included in the calculations. 	No exceptions noted.
33. Recalculate totals for each sport and overall.	No exceptions noted.
Guarantees	
34. Obtain and inspect visiting institution's away-game settlement reports received by the institution during the reporting period and agree related expenses to the Program's general ledger and/or the statement and recalculate totals.	As the guarantees represent less than 0.5% of the total expenses for the year ended June 30, 2016, no procedures are required to be performed.
35. Obtain and inspect contractual agreements pertaining to expenses recorded by the Program from guaranteed contests during the reporting period. Compare and agree related amounts expensed by the institution during to the Program's general ledger and/or the statement and recalculate totals.	As the guarantees represent less than 0.5% of the total expenses for the year ended June 30, 2016, no procedures are required to be performed.

Procedure	Finding
Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	
36. Obtain and inspect a listing of coaches employed by the Program and related entities during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.	A listing of all coaches employed by the Program was obtained. A sample of five coaches was selected, including the football head coach and men's and women's basketball head coach.
37. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the Program and related entities in the statement during the reporting period.	No exceptions noted.
38. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the Program and related entities expense recorded by the Program in the statement during the reporting period.	No exceptions noted.
39. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.	No exceptions noted.
Coaching Other Compensation and Benefits Paid by a Third-Party	
40. Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.	As there were no third party benefits or other compensation expenses for the year ended June 30, 2016, procedure was not performed.
41. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the Program in the statement during the reporting period.	As there were no third party benefits or other compensation expenses for the year ended June 30, 2016, procedure was not performed.
42. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by a third party expenses recorded by the institution in the statement during the reporting period and recalculate totals.	As there were no third party benefits or other compensation expenses for the year ended June 30, 2016, procedure was not performed.
Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities	
43. Select a sample of support staff/administrative personnel employed by the Program and related entities during the reporting period.	A sample of support staff/administrative personnel was selected.

Procedure	Finding
44. Obtain and inspect reporting period summary payroll register for each selection. Compare and agree related summary payroll register to the related support staff administrative salaries, benefits and bonuses paid by the Program and related entities expense recorded by the Program in the statement during the reporting period and recalculate totals.	No exceptions noted.
Support Staff/Administrative Other Compensation and Benefits Paid by a Third-Party	
45. Select a sample of support staff/administrative personnel employed by the third parties during the reporting period.	As there were no third party benefits or other compensation expenses for the year ended June 30, 2016, procedure was not performed.
46. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary registers to the related support staff administrative other compensation and benefits expense recorded by the Program in the statement during the reporting period and recalculate totals.	As there were no third party benefits or other compensation expenses for the year ended June 30, 2016, procedure was not performed.
Severance Payments	
47. Select a sample of employees receiving severance payments by the institution during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.	As the severance payments represent less than 0.5% of the total expenses for the year ended June 30, 2016, no procedures are required to be performed.
Recruiting	
48. Obtain and document an understanding of the Program's recruiting expense policies.	We obtained and documented an understanding of the Program's recruiting expense policies.
49. Compare and agree to existing institutional- and NCAA-related policies.	No exceptions noted and policies are consistent with institutional and NCAA-related policies.
50. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.	No exceptions noted.
Team Travel	
51. Obtain and document an understanding of the Program's team travel policies.	We obtained and documented an understanding of the Program's team travel policies.
52. Compare and agree to existing institutional- and NCAA-related policies.	No exceptions noted and policies are consistent with institutional and NCAA-related policies.
53. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.	No exceptions noted.

Procedure	Finding
Equipment, Uniforms and Supplies	
54. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.
Game Expenses	
55. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.
Fund Raising, Marketing and Promotion	
56. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.
Sports Camp Expenses	
57. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As there were no sports camp expenses for the year ended June 30, 2016, procedure was not performed.
Spirit Groups	
58. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As the Spirit Groups represent less than 0.5% of the total expenses for the year ended June 30, 2016, no procedures are required to be performed.
Athletic Facility Debt Service, Leases and Rental Fees	
59. Obtain a listing of debt service schedules, lease payments and rental fees for athletics facilities for the reporting year. Compare a sample of facility payments including the top two highest facility payments to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements).	No exceptions noted.
60. Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.	No exceptions noted.
Direct Overhead and Administrative Expenses	
61. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.

Procedure	Finding
Indirect Institutional Support	
62. Compare the indirect institutional support recorded by the Program during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculate totals.	No exceptions noted.
Medical Expenses and Medical Insurance	
63. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.
Memberships and Dues	
64. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.
Student-Athlete Meals (non-travel)	
65. Obtain general ledger detail and compare to the total expenses report. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals	As student-athlete meals (non-travel) represent less than 0.5% of the total expenses for the year ended June 30, 2016, no procedures are required to be performed.
Other Operating Expenses	
66. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.
Bowl Expenses	
67. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As there were no bowl expenses for the year ended June 30, 2016, procedure was not performed.
ADDITIONAL MINIMUM AGREED-UPON PROCEDURES	
<ul style="list-style-type: none"> Compare and agree the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the institution. The NCAA Membership Financial Reporting System populates the sports from the NCAA Membership Database as they are reported by the institution. If there is a discrepancy in the sports sponsored between the NCAA Membership Financial Reporting System and the squad lists, inquire about the discrepancy and report the justification in the Agreed-Upon procedures report. 	No exceptions noted.

Procedure	Finding
<ul style="list-style-type: none"> Obtain the institution's Sports Sponsorship and Demographics Forms Report for the reporting year. Validate that the countable sports reported by the institution meet the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum contest requirement. Once countable sports have been confirmed, ensure that the institution has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System. Note: Any discrepancies MUST be resolved within the NCAA Membership Financial Reporting System prior to the report being submitted to the NCAA. 	No exceptions noted.

Agreed-Upon Procedures Related to Affiliated and Outside Organizations

Procedure

- The Program shall identify all intercollegiate athletics-related affiliated and outside organizations and obtain those organizations' statements for the reporting period. Once the Program has made these statements available, the independent accountant shall agree the amounts reported in the statement to the organization's general ledger or, alternatively, confirm revenues and expenses directly with a responsible official of the organization. In addition, the Program shall prepare a summary of revenues and expenses for or on behalf of intercollegiate athletics programs affiliated and outside organizations to be included with the agreed-upon procedures report.

Finding

The Program identified Florida Atlantic University Foundation, Inc. (the Foundation) as the only outside organization making expenditures for, or on behalf of the Program or its employees. The Foundation serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of Florida Atlantic University. Included in the Program's Foundation accounts are the accounts of the Owl Club and endowments held for the benefit of the Program. Revenues and expenses recognized by the Foundation on behalf of the Program for the year ended June 30, 2016, was as follows:

Revenues	
Fund 02	\$ 1,845,493
Fund 40	(8,974)
Fund 60	12,199,044
Total Revenues	<u>\$ 14,035,563</u>
Expenses	
Fund 02	\$ 1,304,409
Fund 40	3,175
Fund 60	429,257
Total Expenses	<u>\$ 1,736,841</u>

Procedure

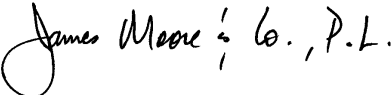
1. The independent accountant shall obtain and review the audited financial statements of the organization and any additional reports regarding internal control matters if the organization is audited independent of the agreed-upon procedures required by NCAA legislation. The Program's independent accountant shall also inquire of institutional and outside organization management as to corrective action taken in response to comments concerning internal control structure (if any).

Finding

We obtained and read the audited financial statements of the Foundation for the year ended June 30, 2016, and the related report on compliance and on internal control. The results of this procedure disclosed that the independent auditors expressed an unmodified opinion on the financial statements of the Foundation. The independent auditors noted no matters involving internal control over financial reporting and its operation that were considered material weaknesses.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying statement of revenues and expenses (Exhibit I) and the accompanying notes to the statement of revenues and expenses (Exhibit II). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management Florida Atlantic University and the Program, the Florida Atlantic University Board of Trustees, the State of Florida Board of Education, and the National Collegiate Athletic Association, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Gainesville, Florida
June 21, 2017

**FLORIDA ATLANTIC UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS'
REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)**

	Football	Men's Basketball	Women's Basketball	Other Sports	Nonprogram Specific	Total
Revenues						
1 Ticket sales	\$ 1,476,877	\$ 82,973	\$ 6,299	\$ 48,888	\$ -	\$ 1,615,037
2 Direct state or other governmental support	-	-	-	-	797,797	797,797
3 Student fees	2,961,576	348,421	326,644	8,601,639	-	12,238,280
4 Direct institutional support	-	-	-	-	2,289,949	2,289,949
5 Transfers to institution	-	-	-	-	-	-
6 Indirect institutional support	-	-	-	-	2,699,962	2,699,962
6A Indirect institutional support - athletic facilities debt service, lease and rental fees	-	-	-	-	-	-
7 Guarantees	1,166,500	230,000	24,000	9,500	-	1,430,000
8 Contributions	67,670	52,028	85,326	100,891	1,208,643	1,514,558
9 In-kind	-	-	-	-	-	-
10 Compensation and benefits provided by a third party	-	-	-	-	-	-
11 Media rights	-	-	-	-	1,158,585	1,158,585
12 NCAA distributions	-	-	-	-	2,924,359	2,924,359
13 Conference distributions	-	-	-	-	953,567	953,567
14 Program sales, concessions, novelty sales and parking	223,907	12,055	-	-	-	235,962
15 Royalties, advertisements and sponsorships	-	-	-	-	440,790	440,790
16 Sports camp revenues	-	-	-	-	-	-
17 Endowment and investments income	-	-	-	-	-	-
18 Other operating revenue	-	-	-	-	1,609,896	1,609,896
19 Bowl revenues	-	-	-	-	-	-
Total operating revenues	<u>5,896,530</u>	<u>725,477</u>	<u>442,269</u>	<u>8,760,918</u>	<u>14,083,548</u>	<u>29,908,742</u>
Expenses						
20 Athletics student aid	1,665,833	351,089	230,756	1,287,093	851,546	4,386,317
21 Guarantees	-	61,000	5,750	19,000	-	85,750
22 Coaching salaries, benefits and bonuses paid by the University and related entities	1,747,003	756,136	452,531	1,581,767	-	4,537,437
23 Coaching other compensation and benefits paid by a third-party	-	-	-	-	-	-
24 Support staff and administrative salaries, benefits and bonuses paid by the University and related entities	406,188	157,343	46,026	-	2,316,264	2,925,821
25 Support staff and administrative other compensation paid by a third-party	-	-	-	-	-	-
26 Severance payments	26,315	30,649	6,995	17,873	43,631	125,463
27 Recruiting	127,616	43,036	65,225	54,082	-	289,959
28 Team travel	812,891	330,586	144,491	915,945	-	2,203,913
29 Equipment, uniforms and supplies	254,871	31,456	30,248	336,251	-	652,826
30 Game expenses	914,518	93,138	91,145	182,315	883,738	2,164,854
31 Fund raising, marketing and promotion	29,985	-	2,963	78	711,057	744,083
32 Sports camp expenses	-	-	-	-	-	-
33 Spirit groups	-	-	-	-	45,143	45,143
34 Athletic facilities debt service, leases and rental fee	-	-	-	-	2,642,933	2,642,933
35 Direct overhead and administrative expenses	159,384	15,519	54,950	45,296	2,422,273	2,697,422
36 Indirect institutional support	-	-	-	-	2,699,962	2,699,962
37 Medical expenses and medical insurance	-	-	-	-	563,854	563,854
38 Memberships and dues	1,879	-	1,700	13,207	353,675	370,461
39 Student-athlete meals (non-travel)	107,152	4,110	382	1,510	-	113,154
40 Other operating expenses	218,016	47,072	34,093	178,714	1,455,048	1,932,943
41 Bowl expenses	-	-	-	-	-	-
Total operating expenses	<u>6,471,651</u>	<u>1,921,134</u>	<u>1,167,255</u>	<u>4,633,131</u>	<u>14,989,124</u>	<u>29,182,295</u>
50 Transfers to institution	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenses	<u>\$ (575,121)</u>	<u>\$ (1,195,657)</u>	<u>\$ (724,986)</u>	<u>\$ 4,127,787</u>	<u>\$ (905,576)</u>	<u>\$ 726,447</u>
51 Conference realignment expenses						<u>\$ -</u>
52 Total athletics related debt						<u>\$ 41,620,000</u>
53 Total institutional debt						<u>\$ 296,184,808</u>
54 Value of athletics dedicated endowments						<u>\$ -</u>
55 Value of institutional endowments						<u>\$ 194,755,297</u>
56 Total athletics related capital expenditures						<u>\$ -</u>

See accompanying notes to Statement of Revenues and Expenses.

**FLORIDA ATLANTIC UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS’
REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)**

(1) **Basis of Accounting:**

The statement of revenues and expenses of the Florida Atlantic University Intercollegiate Athletics Program (the Program) has been prepared using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

(2) **Capital Assets:**

Capital assets purchased with an original cost of \$5,000 or more are recorded at cost and depreciated utilizing the straight-line method over the estimated useful lives of assets (generally ranging from 5 to 10 years). Costs to maintain or repair these assets are expensed as incurred. Costs incurred for the construction of buildings or other permanent facilities are reflected as expenses, as these assets are not capitalized as part of the Program’s accounts, but are recorded by the University as assets of other funds.

(3) **Long-term Obligations:**

Series 2010 – Taxable Capital Improvement Revenue Bonds were issued in November 2010 in the amount of \$44,500,000 and financed the construction of a 30,000 seat stadium facility, parking improvements, and other associated athletic and onsite and offsite infrastructure improvements and projects. The bonds bear interest at an annual rate of 5.78% and mature in 2040. Issuance of the bonds provided the FAU Finance Corporation (the Corporation) with a federal subsidy through a refundable tax credit paid to the Corporation each fiscal year by the IRS, in an amount equal to 35% of the total coupon interest payable to investors in these taxable bonds, which was subsequently reduced by 6.8% and 7.3% as a result of sequestration for the years ended June 30, 2016 and 2015, respectively.

Bondholders have the option to require that the Corporation purchase the bonds on the Initial Purchase Date of October 1, 2017, or agree to an Extended Purchase Date which cannot exceed three years from the Initial Purchase Date or each Extended Purchase Date, as applicable. The interest rate on the bonds is subject to adjustment on each Extended Purchase Date and will be determined by taking the 3-year LIBOR swap rate, as of the applicable Extended Purchase Date, and adding 336 basis points. The Extended Purchase Date interest shall be calculated on the basis of actual number of days elapsed in a 360- day year. The Corporation is required to adopt an operating budget for each fiscal year covering all operations and operating expenses of the project which shall assure that pledged revenues will exceed all contemplated expenses by at least 25%. In addition, the Corporation is required to certify on a quarterly basis that the operating and nonoperating revenues from the previous twelve month period are sufficient to cover at least 125% of an amount equal to the annual bond service requirements, net of direct pay subsidies expected to be received on each respective interest payment date.

**FLORIDA ATLANTIC UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS’
REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)**

(3) **Long-term Obligations:** (Continued)

The change in long-term obligations for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds, Series 2010 Stadium	\$ 42,615,000	\$ -	\$ (995,000)	\$ 41,620,000	\$ 1,035,000
Total	<u>\$ 42,615,000</u>	<u>\$ -</u>	<u>\$ (995,000)</u>	<u>\$ 41,620,000</u>	<u>\$ 1,035,000</u>

The Series 2010 – Taxable Capital Improvement Revenue Bonds provide bondholders with the option to require that the Corporation purchase the bonds on the initial put date of October 1, 2017, in the amount of \$39,515,000 or agree to an extended put date which cannot exceed three years from the initial put date or each extended put date, as applicable. The previous table does not reflect any accelerated amortizations that may result under the put options as previously discussed and does not include the \$1,186,986 in unauthorized bond premiums in the total principal outstanding for the year ended June 30, 2016.

Pledged Revenue

The Corporation has pledged revenues to repay bonds outstanding as of June 30, 2016. The following table reports the revenues pledged for each debt issue, the amounts of such revenue received in the current year (net of operating expenses), the current year principal and interest recorded on the debt, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenue for each debt, which is the amount of the remaining principal and interest on the bonds at June 30, 2016:

Debt Issue	<u>Pledged Revenue</u>	<u>Net Available Revenue*</u>	<u>Principal and Interest Recorded</u>	<u>Outstanding Principal and Interest**</u>	<u>Pledged Through</u>
Bonds, Series 2010 Stadium	Athletic Revenues	\$ 3,035,652	\$ 3,440,730	\$ 76,737,572	2040

*Net available revenues are defined as recognized revenue less applicable operating expenses.

**Represents principal and interest payments outstanding from 7/1/2016 and beyond.

**FLORIDA ATLANTIC UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS’
REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)**

(4) **Operating Lease Commitments:**

The Corporation leases land under a non-cancelable operating lease agreement dated March 4, 2010, with Florida Atlantic University with terms extending through July 2040. The lease was prepaid in March 2010 by the Corporation to Florida Atlantic University for the sum for \$12,000,000 which represents the total sum for the ground rent upon which the facility site located on the Boca Raton Campus of the University upon which the Corporation constructed student housing facilities and related surface parking. The lease is being amortized to rent expense over the life of the lease. The total rental expense for the year ended June 30, 2016, was \$400,000.

(5) **Stadium Operating Agreement:**

In November 2010 the University and the Corporation entered into an operating agreement whereby the Corporation issued Series 2010 – Taxable Capital Improvement Revenue Bonds in the amount of \$44,500,000 to finance the acquisition, installation and construction of a 30,000 seat stadium facility (parking improvements, and other associated athletic and onsite and offsite infrastructure improvements and projects) (thereafter “facility”) and the University agreed to operate and manage the facility for use as an athletic stadium to generate revenue to service the related debt. Under the terms of the operating agreement the University will collect and deposit all pledged revenues from operations of the facility in specified accounts as defined in the bond trust indenture agreement. The operating agreement is effective as of November 2010 and will terminate on the date all obligations of the Corporation and University under the bond trust indenture agreement have been fulfilled which is expected to be July 2040 (maturity date of the bonds). Under the terms of the operating agreement, on an annual basis, the University is required to deposit pledged revenues with the Corporation that are adequate to make annual debt service payments due on the Series 2010 – Taxable Capital Improvement Revenue Bonds.

(6) **Surplus/Deficit Allocations:**

The Program is allowed to carry forward all available funds at the end of each fiscal year to the next fiscal year. Deficits are funded by the Program to the extent there are sufficient net assets available.