

**THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION**

**Received by the  
Regents  
February 20, 2014**

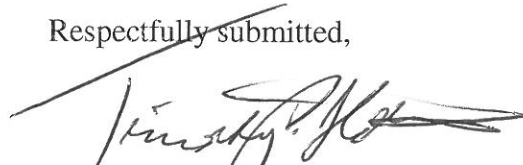
ITEM FOR INFORMATION

**SUBJECT:** Supplemental Information to the Audited Financial Statements of the Department of Intercollegiate Athletics of the University of Michigan for the Year Ended June 30, 2013

**BACKGROUND:**

Enclosed is supplemental information to the audited financial statements of the Department of Intercollegiate Athletics of the University of Michigan for the year ended June 30, 2013. The supplemental information represents a report on agreed-upon procedures performed by PricewaterhouseCoopers, in addition to the financial statement audit, in accordance with the National Collegiate Athletic Association's financial reporting requirements (NCAA Bylaw 3.2.4.16).

Respectfully submitted,



Timothy P. Slotlow  
Executive Vice President  
and Chief Financial Officer

February 2014  
attachment





## **Report of Independent Accountants**

Mary Sue Coleman, President  
The University of Michigan

We have performed the procedures enumerated below, which were agreed to by Mary Sue Coleman, President of the University of Michigan (the "University"), solely to assist you in evaluating whether the accompanying schedule of revenue and expenses and related notes of Intercollegiate Athletics of the University of Michigan (the "Program") for the year ended June 30, 2013 (the "Statement") is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.16 for the year ended June 30, 2013. Management of the Program is responsible for the Statement and the compliance with the NCAA 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.

The Program was subject to an audit of its financial statements as of and for the year ended June 30, 2013. This audit was performed in accordance with auditing standards generally accepted in the United States of America. The procedures enumerated below represent the additional procedures necessary to meet the minimum requirements of the NCAA Bylaw 3.2.4.16. The procedures that we performed and our findings are as follows.

1. We obtained the following list of booster and alumni organizations and a rollforward of the cash balance for the year ended June 30, 2013, from management of the Program.
  - a. We mathematically checked the accuracy of the rollforward, below, without exception.
  - b. We traced and agreed all amounts within the rollforward, below, to the Program's general ledger and the third party Disclosure Statement confirmations obtained directly from the officers or directors of the booster and alumni organizations (the Disclosure Statement confirmations are external financial activity confirmations received from each of the booster and alumni organizations regarding the financial activity as it relates to each organization for the fiscal year) without exception.

<b>Organization (1)</b>	<b>Beginning Cash Balance</b>	<b>Cash Receipts</b>	<b>Athletics Contributions to or on behalf of Program (2)</b>	<b>Organization Expenditures not on behalf of Program (3)</b>	<b>Ending Cash Balance</b>
<b>Booster Organizations:</b>					
Graduate "M" Club	\$ 329,363	\$ 192,061	\$ (500)	\$ (206,409)	\$ 314,515
Dekers Blue Line Club	15,671	38,222	(31,958)	(6,057)	15,878
Bob Ufer Quarterbacks Club	15,208	42,065	(12,450)	(39,773)	5,050
University of Michigan Diamond Club	53,838	575	-	(199)	54,214
Michigan Women's Athletic Association	67,250	22,774	(8,250)	(10,856)	70,918
University of Michigan Club of Ann Arbor	35,849	41,256	(2,702)	(26,710)	47,693
Total booster organizations	<u>517,179</u>	<u>336,953</u>	<u>(55,860)</u>	<u>(290,004)</u>	<u>508,268</u>
<b>Alumni Organizations:</b>					
University of Michigan Club of Greater Detroit:					
Operating Fund	40,370	298,546	(11,348)	(244,117)	83,451
Scholarship Fund	71,984	7,776	-	-	79,760
University of Michigan Club of Greater Flint:					
Operating Fund	29,254	36,348	(15,138)	(12,119)	38,345
University of Michigan Club of Chicago:					
Operating Fund	163,776	67,418	(660)	(95,439)	135,095
University of Michigan Club of Grand Rapids:					
Operating Fund	28,193	84,386	(722)	(99,297)	12,560
University of Michigan Club of Northville:					
Operating Fund	6,545	10,545	(1,292)	(7,984)	7,814
University of Michigan Club of Toledo:					
Operating Fund	13,230	9,307	(30)	(12,578)	9,929
University of Michigan Club of Mt. Clemens:					
Operating Fund	18,000	3	-	(500)	17,503
Total alumni organizations	<u>371,352</u>	<u>514,329</u>	<u>(29,190)</u>	<u>(472,034)</u>	<u>384,457</u>
Total booster and alumni organizations	<u>\$ 888,531</u>	<u>\$ 851,282</u>	<u>\$ (85,050)</u>	<u>\$ (762,038)</u>	<u>\$ 892,725</u>

- (1) Booster organizations are organizations sanctioned by the Program to promote and support the Program in general and/or a specific intercollegiate sport. Alumni organizations are chartered clubs of The University of Michigan Alumni Association whose overall alumni activities include support to the Program.
- (2) Contributions to or on behalf of the Program include \$74,878 of direct donations received by the University of Michigan for the Program and reported by the booster and alumni organizations primarily for scholarships and support of specific intercollegiate sports. Contributions also include \$10,172 of expenditures incurred but not received by the University of Michigan, however these expenditures include booster and alumni organization expenditures made for the benefit of athletes or the University's athletic department staff. The expenditures incurred for the benefit of athletes or the University's athletic department staff are primarily the cost of sports banquets and outings allocable to athletes and the University's athletic department staff.

- (3) Expenditures not on behalf of the Program include the expenditures made by the booster or alumni organization for the purposes of the overall booster and alumni organization and are not incurred for the benefit of the Program. However, they are included as a part of the total reported booster and alumni organization expenditures. These expenditures include the following:

Banquets and outings	\$ 382,633
Tickets	107,465
Scholarships	127,111
Administrative expenses	66,505
Meetings	12,989
Other club activities*	65,335
Total expenditures not on behalf of Program	<u>\$ 762,038</u>

\* Other club activities include expenses for various miscellaneous items such as newsletters, lecture series, pep rallies, bumper stickers, coupon books, etc.

- (4) We obtained written confirmation of the financial activities presented above directly from the booster and alumni organization officers or directors. We traced and agreed amounts to the rollforward presented above, and to the related general ledger of the Program. No exceptions were noted.
- (5) We reconciled all direct donations from the booster and alumni organizations to revenues recorded in the Program's general ledger without exception.
2. We obtained from the Program's management a Statement of Revenues and Expenses (the "Statement") submitted to the NCAA included in Attachment 1 for the year ended June 30, 2013. We obtained University prepared worksheets for each operating revenue and expense category on the Statement, which management stated are generated from its general ledger.
- We mathematically checked the totals and subtotals included on the Statement without exception.
  - We mathematically checked the totals and subtotals included in the University prepared worksheets without exception.
  - We compared the amounts for each operating revenue and expense category included on the Statement to those in the University prepared worksheets observing reconciling items less than \$11,000. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained.
  - We compared the amounts for each of the operating revenue and expense categories included on the University prepared worksheets to the University's general ledger observing reconciling items less than \$11,000. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained.
3. We obtained from Program management the FY 2013 budget and the statement of revenue and expenses as of June 30, 2012 (prior year).
- We compared the current year 2013 amounts of each operating revenue and expense category included in the audited financial statements to budgeted amounts included in the budget obtained from University management.
  - We compared the prior year amounts included in the Statement to the prior year statement of revenue and expenses.
  - For variances for either procedures a) or b) that are greater than \$100,000, we obtained written explanations from management. We make no comment as to the completeness or accuracy of those explanations.

4. We obtained from Program management a listing of all contributions received by the University's athletics department during the year ended June 30, 2013.
  - a. We mathematically checked the total dollar amount of the listing without exception.
  - b. We compared the total dollar amount from the listing to the total dollar amount in the "Contributions" line item of the Statement without exception.
  - c. There were no contributions greater than ten percent of the total of all contributions received.
  
5. We obtained a detailed schedule of away game guarantees from management of the Program for the year ended June 30, 2013.
  - a. We compared the total on the detailed schedule to the general ledger without exception.
  - b. We mathematically checked the detailed schedule without exception.
  - c. We compared the total revenues for away game guarantees in the schedule to the corresponding amount in the Total column on the Statement without exception.
  - d. We selected two agreements from the detailed schedule and compared the guarantee revenue on the schedule provided by the Program to amounts specified in contracts or settlement reports. We compared the revenues per the agreement to the detailed schedule without exception.

	Exception (Yes/No)
Men's Football, September 1, 2012	No
Men's Football, September 22, 2012	No

6. We obtained a detailed schedule of guarantee expenses for the year ended June 30, 2013.
  - a. We compared the total on the detailed schedule to the general ledger without exception.
  - b. We mathematically checked the total of the detailed schedule without exception.
  - c. We compared the total expenses for home game guarantees in the schedule provided by the Program to the corresponding amount in the Total column on the Statement.
  - d. We selected five guarantee expenses for home games from the detailed schedule and compared the guarantee expense on the schedule provided by the Program to amounts specified in contracts or settlement reports without exception.

Refer to schedule below for a listing of selections made and the results of testing.

	Exception (Yes/No)
Men's Football, September 8, 2012	No
Men's Football, September 15, 2012	No
Men's Basketball, December 4, 2012	No
Men's Basketball, December 29, 2012	No
Men's Hockey, October 19, 2012	No

7. We selected ten sports listed on the University's Athletic website, MGoBlue.com, and haphazardly selected one student-athlete from the squad list for each sport as of June 30, 2013.
  - a. We obtained the Big Ten tenders for financial aid from the selected athlete's file, observed the financial aid listed on the tender, and compared this to the information listed on the squad list without exception.
  - b. We observed the amount of financial aid the athlete received in the University's student financial aid system without exception.

- c. We mathematically checked the amount of financial aid per the financial aid system and observed that it was less than or equal to the full Grant-in-Aid amount listed on the squad list without exception.

Refer to schedule below for a listing of selections made and the results of testing.

<u>Student's Sport</u>	<u>Exception (Yes/No)</u>
Men's Baseball	No
Men's Basketball	No
Men's Football	No
Men's Gymnastics	No
Men's Hockey	No
Men's Lacrosse	No
Men's Soccer	No
Women's Swimming	No
Women's Basketball	No
Women's Gymnastics	No

8. We obtained a listing from Program management of coaches employed by the University for the year ended June 30, 2013.
- a. We compared the total expenses for coaches' salaries in the detailed listing to the Program's general ledger which was compared to the corresponding amount in the Total column on the Statement without exception.
- b. We mathematically checked the total of the listing without exception.
- c. From the listing of coaches employed by the University, we haphazardly selected ten coaches, including coaches for football, men's basketball and women's basketball. We compared the coaches' salaries per the contracts, as amended, or an equivalent such as a memorandum of understanding to the amounts recorded by the Program in the Statement. For any salaries that did not agree, we obtained supporting reconciling documentation or explanations from management. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained.
- d. We obtained W-2's for the coaches selected and compared the dollar amounts appearing in the W-2's for gross wages to the related expense in the detailed listing. For W-2 items that did not agree to the related expenses in the detailed listing we obtained supporting reconciling documentation or explanations from management. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained.

Refer to schedule below for a listing of selections made and the results of testing.

	<u>Exception (Yes/No)</u>
Men's Football Head Coach	Yes <sup>1</sup>
Men's Basketball Head Coach	No
Women's Basketball Head Coach	No
Men's Soccer Head Coach	No
Men's Hockey Head Coach	Yes <sup>2</sup>
Women's Tennis Head Coach	No
Women's Field Hockey Head Coach	Yes <sup>3</sup>
Women's Softball Head Coach	No
Men's Football Assistant Coach	No
Men's Football Assistant Coach	No

<sup>1</sup>We observed that this coach's employment contract included a provision which increased his annual salary by \$100,000, effective January 1, 2013. We observed that this provision was not reflected in the salary payments to the coach for the year ended June 30, 2013. This caused the coach to be underpaid by \$50,000 for the year-ended June 30, 2013.

<sup>2</sup>We observed that this coach did not receive the monthly installment of "additional compensation" guaranteed by his employment contract for the month of September 2012, which caused the coach to be underpaid by \$17,917 for the year-ended June 30, 2013.

<sup>3</sup>We observed that this coach was paid at an annual rate higher than her contracted amount which resulted in her being overpaid \$3,333 for the year-ended June 30, 2013.

9. For coaches not employed under contract, we obtained a listing of coaches that received bonuses during the year. We haphazardly selected five coaches from the listing and recalculated the bonus received per the payroll system based on guidelines per the Program's NCAA Post-Season Criteria Listing, a schedule prepared by the Program which details bonus guidelines based on various criteria met, without exception.

Refer to schedule below for a listing of selections made and the results of testing.

	Exception (Yes/No)
Men's Football Assistant Coach	No
Men's Gymnastics Head Coach	No
Men's Diving Assistant Coach	No
Women's Soccer Head Coach	No
Women's Gymnastics Head Coach	No

10. We obtained a listing of support staff for athletics and their salaries for the year ended June 30, 2013.

- a. We compared and agreed the total expenses for support staff salaries in the detailed listing to the Program's general ledger and to the corresponding amount in the Total column on the Schedule without exception.
- b. We mathematically checked the total of the listing without exception.
- c. From the listing of support staff employed by the University, we haphazardly selected one support staff. We compared the support staffs' salary and bonus per the contracts or an equivalent such as a memorandum of understanding to the amounts recorded by the Program in the Statement.
- d. We obtained W-2's for the support staff selected and compared the dollar amounts appearing in the W-2's for gross wages to the related expense in the detailed listing. For W-2 items that did not agree to the related expenses in the detailed listing we obtained supporting reconciling documentation or explanations from management. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained.

Refer to schedule below for a listing of selections made and the results of testing.

	Exception (Yes/No)
Athletic Director	No

11. We obtained from the Program's management a summary schedule of severance payments for the year ended June 30, 2013.

- a. We mathematically checked the total of the detailed schedule without exception.
- b. We compared the total dollar amount of expense for severance to the corresponding amount in the line item "Severance Payments" included in the Statement.



- c. We haphazardly selected two payments from the schedule obtained, and for each item selected, we obtained the related severance agreement from the Program's management. We compared the total dollar amount of payments related to each agreement to the severance agreements.

Refer to the schedule for a listing of selections made and the results of the procedures performed.

	<u>Exception (Yes/No)</u>
Women's Swimming and Diving Head Coach	No
Men's Football Director of Strength and Conditioning	No

12. We compared the direct institutional support recognized in the Statement for the year ended June 30, 2013 to the general ledger without exception.

13. We compared the indirect institutional support recorded by the Program during the year ended June 30, 2013 to a summary schedule prepared by management. The summary schedule was agreed to the general ledger without exception. We mathematically checked the total indirect institutional expense for the period and agreed to Program management's worksheets without exception.

14. We obtained an understanding of the University's methodology for allocating indirect facilities and administrative support during the year ended June 30, 2013. We compared and agreed the indirect facilities and administrative support expense reported by the Program in the Statement to the corresponding revenue category reported by the Program in the Statement without exception. We mathematically checked the totals for indirect facilities and administrative support without exception.

15. We obtained from Program management the Program's recruiting and travel policies. We compared the index of the Program's policies to the NCAA policies and observed that the Program's policies included each of the following topics included in the NCAA policies: Travel Procedures, Vehicle Rentals, Meal Allowance, Hosting Recruits, Recruiting Travel, NCAA Travel, Entertainment, Banquet/Meal Expenses, and Gifts/Flowers/Awards without exception. We make no comment as to the appropriateness of the Program's detailed policy.

16. We obtained representations from the Program's management that to the best of their knowledge and belief, all revenues and expenditures related to the Department of Athletics had been properly included in the Statement.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying statement of revenue and expenses of the Program as of June 30, 2013. 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 University of Michigan and the National Collegiate Athletic Association, and is not intended to be and should not be used by anyone other than these specified parties.

*PricewaterhouseCoopers LLP*

December 20, 2013

The University of Michigan Department of Athletics  
 Schedule of Revenues and Expenses Submitted to NCAA  
 For the Year Ended June 30, 2013 (UNAUDITED)

Item	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Revenues						
Ticket Sales	\$ 36,825,136	\$ 3,979,720	\$ 124,475	\$ 2,206,212	\$	\$ 43,135,543
Student Fees	5,000,000	322,551		475,915		5,798,466
Guarantees	25,312,201	1,884,096	162,050	3,071,774	855,340	31,285,461
Contributions						
Compensation and Benefits Provided by a Third Party				2,615	8,819	11,434
Direct State or Other Government Support					244,398	244,398
Direct Institutional Support			68,450	225,957	7,606,099	27,845,259
Indirect Facilities and Administrative Support	11,781,374	8,163,359				
NCAA/Conference Distributions including all tournament revenues	1,838,533	411,352	32,815	245,847	1,103,108	3,631,655
Broadcast, Television, Radio and Internet Rights					22,473,192	22,473,192
Program Sales, Concessions, Novelty Sales and Parking					228,895	228,895
Royalties, Licensing, Advertisements and Sponsorships					620,210	2,749,063
Sports Camp Revenues	1,017,947	38,362	52,563	1,019,981		2,749,063
Endowment and Invested Income				27,737		6,410,779
Other Operating Revenues					6,383,042	
Total Operating Revenues	81,775,191	14,799,440	440,353	7,276,038	39,523,103	143,814,125
Expenses						
Athletic Student Aid	4,518,037	787,293	700,252	11,945,753	349,879	18,301,214
Guarantees	1,750,000	298,424	44,000	124,276		2,216,700
Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities	7,508,078	2,945,381	1,045,242	7,619,573		19,118,274
Coaching Other Compensation and Benefits Paid by a Third Party						
Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities	1,399,334	522,099	273,508	624,594	22,773,519	25,593,054
Support Staff/Administrative Other Compensation and Benefits Paid by a Third Party						
Severance Payments		36,377		154,687	144,040	335,104
Recruiting	664,492	165,276	164,315	911,850	81,786	1,987,719
Team Travel	2,304,097	908,067	474,897	5,836,311	88,364	9,605,736
Equipment, Uniforms and Supplies	966,074	117,298	80,992	1,664,573	1,701,350	4,530,287
Game Expenses	2,033,205	430,434	223,933	689,215	70,716	3,447,593
Fund Raising, Marketing and Promotion	67,376	41,663	9,615	200,218	3,497,051	3,815,923
Sports Camp Expenses						
Direct Facilities, Maintenance and Rental					28,972,772	28,972,772
Spirit Groups					1,361,589	1,361,589
Indirect Facilities and Administrative Support					244,398	244,398
Medical Expenses and Medical Insurance					840,590	840,590
Memberships and Dues				20,204		246,751
Other Operating Expenses	2,935	1,650	2,457			
Total Operating Expenses	23,147,746	234,874	152,384	1,100,991	7,064,702	10,700,697
Transfers to Institution	23,361,374	6,488,836	3,171,595	30,886,245	67,410,261	131,318,311
Total Expenses	23,361,374	6,488,836	3,171,595	30,886,245	68,527,004	132,435,054
Excess (Deficiencies) of Revenues Over (Under) Expenses	\$ 58,413,817	\$ 8,310,604	\$ (2,731,242)	\$ (23,610,207)	\$ (29,003,901)	\$ 11,379,071