

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

EXH
MOTION

APPROVED BY THE REGENTS

DEC 15 2005

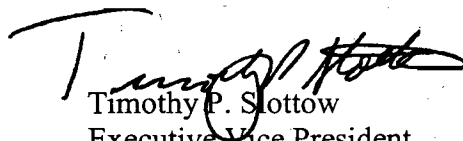
ITEM FOR INFORMATION

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, 2005

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, 2005. 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 audit requirements (NCAA Bylaw 6.2.3.1).

Respectfully submitted,


Timothy P. Sottow
Executive Vice President
and Chief Financial Officer

December 2005
attachment

Report of Independent Accountants

Mary Sue Coleman, President
The University of Michigan

We have performed the procedures enumerated below, to the accounting records of the University of Michigan (the "University") and the related booster and alumni organizations, which were agreed to by the University's administration, solely to assist the University's compliance with National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3.1 in connection with activities of the Intercollegiate Athletics Program (the "Program"), for the year ended June 30, 2005. Management of the University is responsible for the accounting records of the University and the related booster and alumni organizations and their compliance with those requirements. This agreed-upon procedures engagement was performed 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 Intercollegiate Athletics Programs of The University of Michigan currently has a full-scope audit performed in accordance with auditing standards generally accepted in the United States of America and in compliance with accounting principles generally accepted in the United States of America as of June 30, 2005. The procedures enumerated below include the additional procedures necessary to meet the minimum requirements of the NCAA Bylaw 6.2.3.1. Our procedures and findings are as follows:

Agreed-Upon Substantive Procedures

- (a) We obtained the following list of booster and alumni organizations and related financial report from (unaudited) for the year ended June 30, 2005, from the Director of Athletics. We verified the mathematical accuracy of the related financial report, below, without exception. We traced and agreed all amounts within the financial report, below, to the University'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.) No exceptions were noted.

Organization (1)	Beginning cash balance	Cash receipts	Athletics contributions to or on behalf of program (2)	Organization expenditures not on behalf of program (3)	Ending cash balance
Booster organizations					
Graduate "M" Club	\$ 80,280	\$ 94,967	\$ (5,451)	\$ (95,278)	\$ 74,518
Dekers Blue Line Club	32,842	87,162	(50,810)	(44,504)	24,690
Bob Ufer Quarterbacks Club	10,194	51,460	(15,448)	(38,504)	7,702
University of Michigan Diamond Club	29,379	8,661	(676)	(3,819)	33,545
Michigan Women's Athletic Association	58,477	20,219	(10,000)	(9,010)	59,686
University of Michigan Club of Ann Arbor	8,575	40,804	(8,513)	(29,175)	11,691
Total booster organizations	219,747	303,273	(90,898)	(220,290)	211,832
Alumni organizations					
University of Michigan Club of Greater Detroit					
Operating Fund	75,214	285,286	(17,601)	(249,304)	93,595
Scholarship Fund	243,749	19,447	(40,000)	(42,000)	181,196
University of Michigan Club of Greater Flint					
University of Michigan Club of Chicago	59,440	27,140	(20,534)	(10,407)	55,639
University of Michigan Club of Chicago					
University of Michigan Club of Grand Rapids	111,418	22,296	(275)	(12,562)	120,877
University of Michigan Club of Grand Rapids					
University of Michigan Club of Northville	22,432	83,904	(6,924)	(75,564)	23,848
University of Michigan Club of Northville					
University of Michigan Club of Northville	7,310	22,380	(1,159)	(23,595)	4,936
University of Michigan Club of Toledo					
University of Michigan Club of Toledo	74,251	74,958	(69)	(77,347)	71,793
University of Michigan Club of Mt. Clemens					
University of Michigan Club of Mt. Clemens	9,886	11,020	-	(1,500)	19,406
Total alumni organizations	603,700	546,431	(86,562)	(492,279)	571,290
Total booster and alumni organizations	\$ 823,447	\$ 849,704	\$ (177,460)	\$ (712,569)	\$ 783,122

- (1) Booster organizations are organizations sanctioned by the athletic department to promote and support the athletic program in general and/or a particular sport. Alumni organizations are chartered clubs of The University of Michigan Alumni Association whose overall alumni activities include support to the athletic program.

- (2) Contributions to or on behalf of the athletic department's sports Program include \$154,547 of direct donations received by the University of Michigan for the Intercollegiate Athletics Program and reported by the booster and alumni organizations primarily for scholarships and support of specific intercollegiate sports. Contributions also include \$22,913 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 Athletics Programs 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 Intercollegiate Athletics Program, however are included as a part of the total reported booster and alumni organization expenditures. These expenditures include the following:

Administrative expenses	\$	94,261
Banquets and outings		311,189
Tickets		117,435
Scholarships		117,282
Meetings		22,891
Raffles		12,015
Other club activities *		<u>37,496</u>
Total expenditures not on behalf of Program	\$	<u>712,569</u>

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

- (b) We obtained written confirmation of the financial activities presented in item (a) directly from the booster and alumni organization officers. We traced and agreed amounts to the financial statement presented in (a) above, and to the related general ledger of the University. Refer to agreed upon procedure (a) for details. No exceptions were noted.
- (c) We reconciled all direct donations from the booster and alumni organizations to revenues recorded in the Program's general ledger. No exceptions were noted.
- (d) We obtained a listing of all contributions received by the Program for the year ended June 30, 2005. We compared this listing to the amounts reported on the general ledger, noting no differences. We verified the mathematical accuracy of the related listing of all contributions without exception. We also noted that there were no contributions received directly by the Program from any outside organization, agency or group of individuals that consisted of more than 10% of all contributions received by the Program during the year ended June 30, 2005.

- (e) We obtained one basketball and all football away-game contractual agreements related to guaranteed revenue received during the period ended June 30, 2005. We agreed the guaranteed revenues received per the contractual agreements to the June 30, 2005 general ledger. No exceptions were noted.
- (f) We obtained two football home-game settlement reports, as well as the related contractual agreements for the period ended June 30, 2005. We agreed the guaranteed expenses per both the settlement reports selected and the related contractual agreements to the June 30, 2005 general ledger. In addition, we obtained one basketball home-game contractual agreement for the period ended June 30, 2005 and agreed the guaranteed expense per the agreement to the June 30, 2005 general ledger. No exceptions were noted.
- (g) We obtained the University of Michigan's Internal Audit testing of athletic student aid for the fiscal year ended June 30, 2005. From Internal Audit's work papers we selected 5 student-athletes and reperformed the following tests:
 - (1) Recalculated total countable financial aid for each student-athlete selected, compared recalculated totals to totals noted on the NCAA Squad Lists, and verified that the amounts are within the full grant-in-aid limit regulated by the NCAA. No exceptions were noted.
 - (2) Verified each student-athlete selected had either a disclosure statement or completed Big ten statement on file. No exceptions were noted.
- (h) We obtained compensation contracts for all coaches employed under a contractual agreement, specifically men's and women's basketball, football and hockey. We agreed the sum of the base salary and any additional compensation listed in each contract to the total gross wages paid to the coaches per the payroll system during the fiscal year ended June 30, 2005. We recalculated the bonus paid to each coach employed under contract based on the contract terms. We agreed the calculated amount to the actual bonus paid per the payroll system during the fiscal year ended June 30, 2005. For coaches not employed under contract, we selected a sample of 5 coaches from the listing of coaches that received bonuses during the fiscal year ended June 30, 2005. We recalculated the bonuses received per the payroll system based on guidelines per the University of Michigan NCAA Post-Season Criteria listing, which is a University schedule which details bonus guidelines based on various criteria met. No exceptions were noted.
- (i) We obtained and reviewed the Recruiting and Team Travel policies. The University of Michigan developed a compliance department that hosts annual training meetings to discuss the new NCAA regulations. The department also sends out regular reminders and updates of policies and procedures during the year. We inquired of the compliance department and discussed procedures performed to ensure NCAA standards are met. To confirm compliance with NCAA regulation, we obtained and reviewed the agenda of the Compliance Rules Education Meeting dated April 13, 2005 as well as the In-Person Scouting of Opponents Compliance memorandum dated September 21, 2005. No exceptions were noted.

Mary Sue Coleman, President
The University of Michigan
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We were not engaged to and did not perform an examination in accordance with generally accepted auditing standards, the objective of which would be the expression of an opinion on any of the accounts or items referred to above of the University at June 30, 2005. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of the accounts or items referred to above, other matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to any financial statements of the University of Michigan or related outside organizations, taken as a whole.

This report is intended solely for the information and use of management and governing boards of the University of Michigan and the National Collegiate Athletic Association and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

PricewaterhouseCoopers LLP

September 23, 2005