

University of Cincinnati

Independent Accountant's Report on Applying Agreed-Upon
Procedures Performed on the Intercollegiate Athletic Program
as Required by NCAA Bylaw 3.2.4.15

June 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
University of Cincinnati
51 Goodman Drive
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We have reviewed the *Independent Accountant's Report on Applying Agreed-Upon Procedures* of the University of Cincinnati NCAA Report, Hamilton County, prepared by BKD, LLP, for the period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The University of Cincinnati is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 14, 2019

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University of Cincinnati

June 30, 2019

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. Neville G. Pinto
President
University of Cincinnati
Cincinnati, Ohio

We have performed the procedures enumerated below, which were agreed to by the management of the University of Cincinnati (University), solely to assist you with respect to evaluating whether the accompanying statement of revenues and expenses of the athletic department of the University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2019. The University is responsible for the statement of revenues and expenses (Statement) and the Statement's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the 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 procedures performed and findings obtained are described below.

Statement of Revenues and Expenses

1. We obtained the Statement, as prepared by the Department of Athletics of the University (Athletics), for the year ended June 30, 2019. We compared the revenue and expense amounts reported on the Statement which were greater than 4.0% of revenues or expenses, respectively, to the supporting schedules prepared by management of the University, noting they agreed without exception.
2. We compared a sample (see items 4-44 below) of operating revenue receipts and operating expenses obtained from the above operating revenue and expense supporting schedules to adequate supporting documentation. Excluding item 23 below, no exceptions were noted.
3. We compared each major revenue category greater than 10% of total revenues and each major expense category greater than 10% of total expenses on the Statement to prior year amounts and current year budgeted amounts. We obtained and documented an understanding of any significant variances (greater than a 10% change) from prior year amounts and current year budgeted amounts and noted the following:

Actual Revenue and Expenses as Compared to Prior Year

- *Ticket Sales* - The 19.98% increase is primarily attributable to increased basketball game attendance as the team moved back to Fifth Third Arena.
- *Royalties, Licensing, Advertising and Sponsorships* - The 29.11% increase is primarily attributable to the \$1 million IMG signing bonus and additional \$400,000 of royalty payments.

- *Athletic Student Aid* - The decrease of 22.28% is primarily attributable to \$1.9 million of tuition waivers being included as direct institutional support in fiscal year 2019.
- *Support and Administrative Staff Salaries, Benefits, and Bonuses Paid by the University and Related Entities* - The 13.70% increase is primarily attributable to a 2% overall salary increase, an increase to football staffing and changes to men's basketball staffing.
- *Athletic Facilities Debt Service, Leases and Rental Fees* - The 11.70% increase is primarily attributable to \$1 million of Fifth Third debt.

Actual Revenue and Expenses to Current Year Budget

- *Athletic Facilities Debt Service, Leases and Rental Fees* - The 64.47% increase is primarily attributable to the West Pavilion debt not being included in the budget.
- *Other Operating Expenses* - The 39.89% decrease is primarily attributable to the exclusion of FCC Tier, Reimbursable, and Concessions in the budget.

Revenues

4. *Ticket Sales* - For football and men's basketball ticket revenue, we compared the detail of tickets sold, complimentary tickets provided and unsold tickets for the year ended June 30, 2019, from the Paciolan ticketing system to the general ledger and related attendance figures without exception.
5. *Student Fees* - We inquired as to whether student fees are allocated to Athletics, and the University's management represented there are no restricted student fee allocations from the University to Athletics. All allocations are unrestricted and reported as direct institutional support.
6. *Direct State or Other Governmental Support* - We inquired of the University's management who represented there was no direct state or other governmental support during the year ended June 30, 2019.
7. *Direct Institutional Support* - We compared direct institutional support recorded by Athletics with institutional transfer authorizations held by the Controller's Office of the University and noted no exceptions.
8. *Transfers Back to the Institution* - We inquired of the University's management who represented there were no transfers back to the institution during the year ended June 30, 2019.
9. *Indirect Institutional Support* - We obtained general ledger detail and compared the total expenses and other supporting documentation to the Statement and recalculated totals without exception.
10. *Guarantees* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
11. *Contributions* - We obtained a list of contributions of all money, goods or services received directly by Athletics from individuals and other donors. We noted one individual transfer from an affiliate which was greater than 10%, however, there were no individual contributions above this threshold.
12. *In-Kind* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.

13. *Compensation and Benefits Provided by a Third Party* - We inquired of the University's management as to whether Athletics received any revenues or contributions to specifically support compensation or benefits from outside organizations for the year ended June 30, 2019, and they represented there were no compensation or benefits provided by third parties.
14. *Media Rights* - We inquired of the University's management who represented there were no media rights revenues during the year ended June 30, 2019.
15. *NCAA Distributions* - We compared the amounts recorded in the Statement to the summary of NCAA distributions and agreed to supporting documentation of the cash receipts without exception.
16. *Conference Distributions* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
17. *Program Sales, Concession, Novelty Sales and Parking* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
18. *Royalties, Licensing, Advertisements and Sponsorships* - We obtained and inspected agreements related to the University's participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period and compared and agreed the related revenues to the Statement and recalculated the totals without exception.
19. *Sports Camps Revenues* - We inquired of the University's management who represented there were no sports camp revenues during the year ended June 30, 2019.
20. *Athletics Restricted Endowment and Investment Income* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
21. *Other Operating Revenue* - We obtained supporting schedules for other operating revenue reported in the Statement, noting they agreed without exception.
22. *Bowl Revenues* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.

Expenses

23. *Athletic Student Aid* - We recalculated totals from the NCAA Membership Financial Reporting System (System) for each sport and overall, without exception. We also randomly selected 60 athletic students from the University's listing of student aid recipients and performed the following:
 - a. For each selected, we obtained individual student account detail and compared total aid allocated from the student account system to the amounts reported to the System, noting 3 of the 60 students tested had differences ranging from \$125 to \$300.
 - b. For each selected, we performed a check of each student selected to determine their information to calculate their full grant amount and equivalency value was reported accurately in the System, noting one student who had a difference in grant amount of \$430 and one student with a difference in equivalency value of 0.50.
 - c. For each selected who received a Pell Grant, we determined the value of the grant was not included in the calculation of equivalencies or the total dollar amount of student athletic aid. As the University's reporting via the System is not due until January 2020, we were not able to determine if the students selected were included in the total number and total value of Pell Grants reported. However, we did determine that the students selected were included in the listing of Pell Grants awarded to athletes via the listing received from the University's student financial aid system.

24. *Guarantees* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
25. *Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities* - We obtained a listing of coaches employed by the University and selected a sample of three coaches (Michael Cronin, Luke Fickell and Ronitta Clark-Heard), which included football, men's basketball and women's basketball coaches. We compared and agreed the financial terms and conditions of their contracts, specifically the salaries, benefits and bonuses, for each selection to the related coaching salaries, benefits and bonuses recorded in the Statement and noted no exceptions. We further inspected payroll summary registers for the year ended June 30, 2019, for each selection and agreed them to the related coaching salaries, benefits and bonuses paid by the University and related entities expense recorded by the University in the Statement without exception.
26. *Coaching Other Compensation and Benefits Paid by a Third Party* - We inquired of the University's management as to whether there were any coaching compensation or benefits paid by a third party and they represented there were no other compensation or benefits provided by third parties.
27. *Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities* - We selected a sample of three support staff/administrative personnel employed by the University (Meghan Viens, Brittany Booth, and Brian Hoskinson) and compared the related salaries, benefits and bonuses paid by the University for each selection for the year ended June 30, 2019, per the payroll summary registers to the Statement and noted no exceptions.
28. *Support Staff/Administrative Salaries, Benefits and Bonuses Paid by a Third Party* - We inquired of the University's management as to whether there were any support staff/administrative salaries, benefits or bonuses paid by a third party and they represented there were no support staff/administrative compensation or benefits provided by third parties.
29. *Severance Payments* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
30. *Recruiting* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
31. *Team Travel* - We obtained the team travel policies for Athletics and compared them to the NCAA policies. No exceptions were noted. We obtained the supporting schedule for team travel expenses and agreed the amounts in the supporting schedules to the Statement, noting no exceptions.
32. *Equipment, Uniforms and Supplies* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
33. *Game Expenses* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
34. *Fundraising, Marketing and Promotion* - We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected the three largest transactions and agreed the expenses to support without exception.
35. *Sports Camp Expenses* - We inquired of the University's management as to whether there were any expenses incurred for sport camps for the year ended June 30, 2019. The University's management represented there were no such expenses incurred.

36. *Spirit Groups* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
37. *Athletic Debt Service, Leases and Rental Fees* - We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected the three largest transactions and agreed the expenses to support without exception.
38. *Direct Overhead and Administrative Expenses* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
39. *Indirect Institutional Support* - We obtained general ledger detail and compared the total expenses to the Statement without exception.
40. *Medical Expenses and Medical Insurance* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
41. *Memberships and Dues* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
42. *Other Operating Expenses* - We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected the three largest transactions and agreed the expenses to support without exception.
43. *Student-Athlete Meals* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
44. *Bowl Expenses* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.

Additional Minimum Agreed-Upon Procedures

45. We compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the University, noting no discrepancies. We were unable to compare the current year revenue distribution equivalencies to prior year reported equivalencies per the Membership Financial Report submission as the reporting was not yet due, and, therefore, not yet completed at the time the procedures were performed.
46. We obtained the University's Sports Sponsorship and Demographics Forms Report for the fiscal year and determined that the countable sports reported by the University met 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, noting no discrepancies.
47. Once countable sports were identified per number 46 above, we determined that the University has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System, noting no discrepancies.
48. We were unable to agree the total number of student-athletes who received a Pell Grant award during the academic year and the total value of these Pell Grants reported in the System to a report generated out of the University's student financial aid system as the reporting via the System is not due until January 2020, and was not yet completed at the time the procedures were performed.

Other Reporting Items

49. *Excess Transfers to Institution and Conference Re-alignment Expenses* - We inquired of the University's management who represented there were no conference re-alignment expenses during the year ended June 30, 2019.
50. *Total Athletics Related Debt* - We obtained the repayment schedules for all outstanding athletics debt during the reporting period and recalculated the annual maturities without exception. We also agreed the total annual maturities and total outstanding athletic-related debt to supporting documentation and the University general ledger, without exception.
51. *Total Institutional Debt* - We agreed the total outstanding debt of the University to supporting documentation and the University's audited financial statements, without exception.
52. *Value of Athletics Dedicated Endowments* - We obtained a schedule of all athletics dedicated endowments maintained by Athletics, the University and affiliated organizations and agreed the fair market value in the schedule to supporting documentation, the general ledger and the audited financial statements, without exception.
53. *Value of Institutional Endowments* - We agreed the total fair market value of University endowments to supporting documentation, the University's general ledger and the audited financial statements, without exception.
54. *Total Athletics Related Capital Expenditures* - We obtained a schedule of athletic related capital expenditures made by Athletics, the University and affiliated organizations and compared the total expenses reported to the general ledger, without exception. We selected a sample of University additions as part of the financial statement audit.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the specified elements, accounts and items described above or on compliance with the requirements noted above. Accordingly, we do not express such an opinion or conclusion. 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 specified parties listed above and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

Cincinnati, Ohio
October 15, 2019

University of Cincinnati

Exhibit A – Statement of Revenues and Expenses

For the Year Ended June 30, 2019

	Football	Men's Basketball	Women's Basketball	Other Men	Other Women	Nonprogram- Specific	Total
Revenues							
Ticket sales	\$ 3,805,145	\$ 3,822,401	\$ 62,590	\$ 37,740	\$ 8,144	\$ -	\$ 7,736,020
Guarantees	400,000	-	-	19,600	15,500	-	435,100
Contributions	502,309	68,996	4,352	284,761	37,908	5,501,577	6,399,903
In-kind	83,934	40,450	-	150	-	388,264	512,798
Direct institutional support	-	-	-	-	-	27,261,434	27,261,434
Indirect institutional support	-	-	-	-	-	2,440,986	2,440,986
NCAA distributions	1,988,754	1,758,123	-	-	-	952,491	4,699,368
AAC conference distributions	-	-	-	-	-	1,018,194	1,018,194
Post season revenue	861,626	-	-	-	-	-	861,626
Program sales/concessions/novelty sales and parking	207,900	174,195	-	-	-	1,192,295	1,574,390
Royalties, licensing, advertising and sponsorships	-	-	-	-	-	8,327,576	8,327,576
Endowment and investment income	82,641	39,472	4,514	72,280	130,091	576,858	905,856
Other income	21,031	1,121,656	14,271	71,039	46,566	5,397,858	6,672,421
Total revenues	\$ 7,953,340	\$ 7,025,293	\$ 85,727	\$ 485,570	\$ 238,209	\$ 53,057,533	\$ 68,845,672
Expenses							
Athletic student aid	\$ 2,958,061	\$ 564,020	\$ 632,438	\$ 1,996,009	\$ 3,234,946	\$ 479,640	\$ 9,865,114
Guarantees	650,000	943,000	76,000	21,250	1,000	-	1,691,250
Coaching salaries, benefits and bonuses paid by the University and related entities	6,238,577	3,216,044	1,067,002	1,341,604	1,615,846	-	13,479,073
Support staff/administrative salaries, benefits and bonuses paid by the University and related entities	875,220	303,031	44,254	75,822	5,709	7,006,083	8,310,119
Severance payments	-	142,946	38,870	-	-	47,800	229,616
Recruiting	435,115	242,987	98,229	104,185	145,762	-	1,026,278
Team travel	1,179,515	1,146,039	607,352	894,717	1,016,785	-	4,844,408
Equipment, uniforms and supplies	130,105	54,576	8,342	137,443	55,456	-	385,922
Game expenses	932,735	828,961	72,332	180,593	122,749	3,279	2,140,649
Fundraising, marketing and promotion	16,632	7,173	1,727	14,053	23,665	3,908,085	3,971,335
Athletic facilities debt service, leases and rental fees	3,735	-	-	2,847	8,467	11,724,597	11,739,646
Direct overhead and administrative expenses	8,691	1,649	180	5,594	2,407	857,836	876,357
Spirit groups	-	-	-	-	-	268,743	268,743
Indirect institutional support	-	-	-	-	-	2,440,986	2,440,986
Medical expenses and medical insurance	33,843	627	4,385	1,793	304	547,409	588,361
Memberships and dues	2,724	735	852	59,670	37,919	19,848	121,748
Student-athlete meals	473,238	75,075	54,469	71,106	111,313	-	785,201
Post season expenses	665,615	-	-	-	-	-	665,615
Other operating expenses	395,345	117,907	84,507	146,316	82,388	2,575,442	3,401,905
Total expenses	\$ 14,999,151	\$ 7,644,770	\$ 2,790,939	\$ 5,053,002	\$ 6,464,716	\$ 29,879,748	\$ 66,832,326

University of Cincinnati
Notes to Statement of Revenues and Expenses
June 30, 2019

1. Summary of Presentation Policies

The amounts in the accompanying statement of revenues and expenses were obtained from the University of Cincinnati's (University) general ledger, which is maintained on an accrual basis. All revenues and expenses directly related to various sports were disclosed as such, except items which were not applicable. The primary purpose of the agreed-upon procedures report is to ensure the president of the University is made aware of all financial activity (both internal and external) for athletics purposes and to assist the University in exercising control over the financial activity made by or on behalf of the intercollegiate athletics program.

2. Property, Plant and Equipment

All University assets are recorded at cost at date of acquisition, or market value at date of donation. The University's capitalization threshold is \$100,000 for major capital projects and intangible assets except for internally generated software, which has a threshold of \$500,000. For all other items, the capitalization threshold is \$5,000. Interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. The University and its blended component unit's property and equipment are depreciated using the straight-line method over the estimated useful lives (from 3 to 50 years) of the respective assets. When plant assets are sold or disposed of, the carrying value of such assets and the associated depreciation are removed from the University's records.

3. Repayment Schedule for Outstanding Debt

The repayment schedule as of June 30, 2019, for outstanding debt related to the Department of Athletics of the University is as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 3,377,687	\$ 7,824,201	\$ 11,201,888
2021	3,636,727	7,657,164	11,293,891
2022	3,759,865	7,475,327	11,235,192
2023	3,659,399	7,292,466	10,951,865
2024	2,879,156	7,109,496	9,988,652
2025-2029	32,172,489	32,170,375	64,342,864
2030-2034	47,490,051	23,018,815	70,508,866
2035-3039	54,375,415	10,690,894	65,066,309
2040-2044	9,006,230	2,083,446	11,089,676
2045-2047	5,199,510	420,770	5,620,280
Total	<u>\$ 165,556,529</u>	<u>\$ 105,742,954</u>	<u>\$ 271,299,483</u>

Principal and interest payments made during the year are included in the statement of revenues and expenses as athletic facilities debt service, leases and rental fees.

University of Cincinnati
Notes to Statement of Revenues and Expenses
June 30, 2019

4. Affiliated Organization

The University of Cincinnati Foundation is a related entity of the University's Department of Athletics. The related entity conducts fundraising activities that support the Department of Athletics.

During fiscal year 2019, the affiliated organization transferred \$6,399,903 directly to the University in support of the Department of Athletics operations.

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OHIO AUDITOR OF STATE KEITH FABER



UNIVERSITY OF CINCINNATI – NCAA

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 3, 2019