



Item: AF: I-4

AUDIT AND FINANCE COMMITTEE

Thursday, February 16, 2012

**SUBJECT: REVIEW OF FAU INTERCOLLEGIATE ATHLETICS PROGRAM
INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2011.**

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 Association ("NCAA") Bylaw 6.2.3.1 for the year ended June 30, 2011. FAU's 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, 2011.

Presented by: Mr. Dennis Crudele, Senior Vice President-Financial Affairs
Mr. Craig Angelos, Director-Intercollegiate Athletics

Phone: 561-297-3266
Phone: 561-297-3199

**FLORIDA ATLANTIC UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2011**



Mayer Hoffman McCann P.C.
An Independent CPA Firm
Goldstein Lewin Division

INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES

Ms. Mary Jane Saunders, Ph.D., President
Florida Atlantic University
Boca Raton, Florida

We have performed the procedures enumerated below, which were agreed to by the chief executive of Florida Atlantic University ("FAU" or the "University"), solely to assist you in evaluating whether the accompanying unaudited Statement of Revenue and Expenses (the "Statement") of the FAU Intercollegiate Athletics Program is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3.1 for the fiscal year ended June 30, 2011. The University's management is responsible for the Statement and its compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified above. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed Upon Procedures Related to the Statement of Revenue and Expenses:

The procedures that we performed and our findings for the fiscal year ended June 30, 2011 are as follows:

REVENUE:

For all revenue categories reported on the Statement, we performed the following procedures:

- A) We compared and agreed each operating revenue category reported in the Statement during the reporting period to supporting schedules provided by FAU.
- B) We compared and agreed a sample of operating revenue receipts obtained from supporting schedules to supporting documentation.
- C) We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variations.
- D) We agreed the amounts reported on the Statement for each revenue category to the University's general ledger.
- E) We recalculated all totals.

We performed the above procedures, as well as additional procedures for each of the following revenue categories:

1675 N. Military Trail, Fifth Floor
Boca Raton, Florida 33486
Ph: 561.994.5050 Fx: 561.241.0071
www.mhm-pc.com

1 East Broward Blvd., Suite 700
Ft. Lauderdale, Florida 33301
Ph: 954.429.8555
(Send reply to Boca office)

TICKET SALES:

We obtained and reviewed the daily deposit ticket schedules for tickets sold which was prepared by the Florida Atlantic University Intercollegiate Athletics Department (the "Athletics Department") and we reconciled this schedule to FAU's general ledger. The general ledger entries for ticket sales are made by the main FAU office and the Athletics Department keeps track of ticket sales through online reports from Ticketmaster. As approximately 87% of ticket sales were for football, the tickets sold for football games during the reporting period were selected for procedures. The Athletics Department provided us with a schedule of the number of tickets sold and complimentary tickets given out for all five home football games (including one neutral site game in Michigan for which FAU was the designated home team) during the fiscal year. We also obtained a schedule prepared by FAU detailing the different types of tickets and their respective prices, which we used to calculate an average ticket price. The average price per ticket multiplied by the number of tickets sold was used to arrive at estimated ticket sales.

In addition, we received copies of the Ticket Deposit Daily Reconciliation Schedule from the Athletics Department for all sports for the year and selected one deposit from each sport for testing. Each selected deposit was traced to receipts from the University cashier's office and, in the case of credit card sales, to copies of the sales drafts. Total amounts for each sport were then traced to the general ledger.

Findings:

The calculation of the average price per football ticket sold by FAU or on behalf of FAU multiplied by the number of football tickets sold totaled \$1,238,518. This amount, increased by \$8,152 for parking and service charges, less \$67,500 of complimentary tickets given to sponsors, nets to \$1,179,170, which is \$150 more than what was recorded on the general ledger.

Total football ticket sales as indicated on the Ticket Deposit Daily Reconciliation Schedule provided to us by the Athletics Department, plus several reconciling amounts not included on this schedule (such as deferred ticket sales, ticket sales for a home game played on a neutral site in Michigan, group ticket sales for visiting teams, and ticket sales to FAU employees paid by payroll deductions) amounted to \$1,146,792, which is approximately 2.7% less than the \$1,179,020 recorded on the Statement for football ticket sales.

We found no significant exceptions with regard to other procedures.

Analytical Findings:

Actual revenue from Ticket Sales increased from \$549,258 during the fiscal year ended June 30, 2010 to \$1,361,976 during the fiscal year ended June 30, 2011. This increase is primarily due to approximately \$743,000 in ticket sales revenue received from a football game against Michigan State, for which FAU was the designated home team in a neutral site venue in Michigan. There was also a positive variance between actual ticket sales during the fiscal year ended June 30, 2011 and the budgeted total, which is also attributed primarily to the same reason.

STUDENT FEES:

We obtained and reviewed the student data course file that indicates the number of semester hours that the overall student body was enrolled in for the semesters falling within the fiscal year. We obtained from the University a document that details the various fees that are charged to enrolled students. During the second half of the 2010 summer curriculum, FAU charged each student a fee of \$14.30 per semester hour for general athletics. Starting with the Fall 2010 semester, this fee was increased to \$16.45 per semester hour and remained at that rate for the remainder of the fiscal year ended June 30, 2011. These amounts were agreed to the University document titled "Rules of the Department of Education – Florida Atlantic University"; Chapter 6c5-8.001 – "Tuition and Fees", which describes the methodology used by FAU for allocating student fees to the Athletics Department. The methodology used by FAU to calculate all of its fees is based upon the specific authority of Florida Statutes 1009.24, 1001.74 (4) and 1010.03.

Findings:

The total number of student semester hours for the fiscal year ended June 30, 2011 multiplied by the applicable fixed fee amount per credit hour yielded a result that was 0.98% above the dollar amount reported on the Statement, a difference of approximately \$103,000.

Analytical Findings:

Actual revenue from Student Fees increased from \$8,877,456 during the fiscal year ended June 30, 2010 to \$10,425,354 during the fiscal year ended June 30, 2011 due to an increase in student semester hours and an increase in the fixed fee amount per credit hour from \$14.30 throughout the prior year to \$16.45 for most of the current year. There was also a positive variance between actual Student Fees during the fiscal year ended June 30, 2011 and the budgeted total caused primarily by an increase in overall enrollment ranging between 2% and 5% throughout the fiscal year.

GUARANTEES:

We obtained and reviewed a sample of seven athletic agreements/contracts from the Athletics Department which detail the guaranteed revenue that was received by FAU for participation in away games. These seven agreements/contracts aggregated \$1,585,000, comprising roughly 98% of guarantee revenue recorded for the year ended June 30, 2011. This amount is included in ticket sales revenue. We traced the amounts that appeared on the athletic agreements/contracts to the general ledger without exception. We also agreed the event dates stated in the athletic agreements/contracts to the reporting period.

Findings:

We found no exceptions as a result of these procedures.

GUARANTEES (CONTINUED):

Analytical Findings:

Actual revenue from Guarantees decreased from \$1,914,000 during the fiscal year ended June 30, 2010 to \$1,614,500 during the fiscal year ended June 30, 2011. This decrease is primarily caused by two very large guarantees received by the football program in the prior year (\$800,000 for a game vs. South Carolina and \$650,000 for a game vs. Nebraska) as opposed to only one very large guarantee in the current year (\$900,000 for a game vs. Texas). There was no significant difference between budgeted and actual results.

CONTRIBUTIONS:

From the Athletics Department we obtained and reviewed supporting documentation for the contribution of money, goods or services received by the Athletics Department for any affiliated or outside organization, agency or group of individuals that constitutes 10% or more of all contributions received for intercollegiate athletics during the reporting period. The Athletics Department received \$1,348,173 in contributions during the fiscal year ended June 30, 2011, most of which was received from the Florida Atlantic University Foundation Athletic Account (the "Foundation Athletic Account"). The Foundation Athletic Account is maintained for purposes of collecting and accounting for contributions made to the Athletics Department, which is then the property of the Athletics Department. During the fiscal year ended June 30, 2011, \$961,539 was provided to the Athletics Department from funds in the Foundation Athletic Account and \$178,901 of the Athletics Department's expenses was directly paid by funds in the Foundation Athletic Account. Various other contributions (mostly from Adidas and from FAU's book store) comprise the remaining contributions received.

The Florida Atlantic University Foundation, Inc. (the "Foundation") is the sponsor of the Foundation Athletic Account and is the only outside organization not under control of FAU where the Athletics Department may pay expenses directly from or on their own behalf. The Foundation serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of FAU. We obtained a schedule of all expenditures made through the Foundation Athletic Account on behalf of the Athletics Department and all cash transfers received for the fiscal year ended June 30, 2011. We also obtained a copy of the Foundation Athletic Account's general ledger detailing the transactions related to the Athletics Department. We agreed all amounts reported on the Statement to the general ledger.

We obtained and read the Foundation's audited financial statements and reports to management regarding matters related to internal control over financial reporting for the fiscal year ended June 30, 2011.

Findings:

We noted that an independent auditor expressed an unqualified opinion on the financial statements of the Foundation for the fiscal year ended June 30, 2011. The independent auditor noted no matters involving internal control over financial reporting and its operation that were considered significant deficiencies or material weaknesses.

CONTRIBUTIONS (CONTINUED):

Analytical Findings:

Revenue from Contributions increased from \$709,938 during the fiscal year ended June 30, 2010 to \$1,348,173 during the fiscal year ended June 30, 2011. This increase is primarily related to the Foundation receiving more contributions as a result of increased marketing efforts relating to the construction of a new football stadium on the University's campus. The positive variance between actual contributions received during the fiscal year ended June 30, 2011 and the budgeted total is primarily attributed to the same reason.

DIRECT INSTITUTIONAL SUPPORT:

For the fiscal year ended June 30, 2011, FAU approved \$1,321,616 in institutional support. Of this amount, \$741,800 represents tuition waivers. We obtained and reviewed a schedule prepared by the Athletics Department breaking out tuition waivers by sport, noting no difference to the current year total. Individual student tuition waivers were tested as part of our procedures applicable to Athletic Student Aid Expenses. FAU also authorized inter-fund transfers of \$332,570 to cover the athletic scholarship amounts as well as other related expenses. We obtained and reviewed the authorizations for these transfers. We also traced the amount of the transfers that appeared on the authorizations to the general ledger without exception. Revenue relating to Title IX comprises the remaining \$247,246 included as Direct Institutional Support as reported in the Statement.

Findings:

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

Analytical Findings:

Direct Institutional Support decreased from \$1,413,934 during the fiscal year ended June 30, 2010 to \$1,321,616 during the fiscal year ended June 30, 2011. This decrease is primarily attributable to approximately \$96,000 in marketing related expense reductions that were recorded as revenue on this line item in the prior year. In the current year, these expense reductions were recorded as offsets to the applicable expense line items. There was no significant difference between budgeted and actual results.

INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT:

The Athletics Department received \$641,186 in indirect support from the FAU Academics Department. We obtained the general ledger account detail from the Academics Department's general ledger and agreed all amounts to amounts reported on the Statement.

The Athletics Department also received \$42,969 in indirect support associated with the cost of security for various sporting events. We obtained and reviewed invoices from the FAU Police Department for security provided at various sports events to verify this amount.

INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT (CONTINUED):

FAU currently does not track the indirect institutional support for utilities expenses. FAU has allocated \$570,000 to utilities expense and reported this amount on the Statement based upon an estimate made by the University, for electricity used for the lights on the fields, grounds and offices of the Athletics Department.

Findings:

We found no exceptions as a result of these procedures.

Analytical Findings:

Indirect Facilities and Administrative Support increased from \$789,011 during the fiscal year ended June 30, 2010 to \$1,254,155 during the fiscal year ended June 30, 2011. This increase was primarily because one academic department was not included in this revenue category in the fiscal year ended June 30, 2010. The inclusion of this department in the fiscal year ended June 30, 2011 resulted in an increase of \$581,259 being recorded as indirect support from the FAU Academics Department. This revenue category was not budgeted because it is offset by Indirect Facilities and Administrative Support Expenses.

NCAA/CONFERENCE DISTRIBUTIONS:

FAU received the following from the NCAA: \$150,457 as their share of a sports sponsorship fund; \$436,891 for an athletics grants-in-aid award; \$64,313 for NCAA Academic Enhancement; \$209,127 from Sun Belt Conference revenue; \$47,457 in Supplemental NCAA revenue distributions; and \$5,531 in miscellaneous revenue. These receipts total \$913,776, as reported on the Statement.

We obtained and reviewed all receipts aggregating \$913,776. For each receipt, we reviewed the applicable NCAA and/or conference guidelines governing such distributions. Additionally, we traced the amounts to postings in the general ledger detail and to the finance transaction form or a copy of the applicable check/stub.

Findings:

We found no exceptions as a result of these procedures.

Analytical Findings:

No significant variance was noted in NCAA/Conference Distributions revenue received during the fiscal year ended June 30, 2011 as compared to the preceding fiscal year. Actual revenue exceeded the budgeted total for the fiscal year ended June 30, 2011 primarily as a result of revenue received from the Men's Basketball Team's qualification in the 2011 postseason National Invitational Tournament which was not contemplated as part of budgeted revenue prior to the start of the fiscal year.

PROGRAM SALES, CONCESSIONS, NOVELTY SALES, AND PARKING:

Analytical Findings:

There was no significant variance in revenue from Program Sales, Concessions, Novelty Sales, and Parking during the fiscal year ended June 30, 2011 as compared to the fiscal year ended June 30, 2010. Additionally, there was no significant difference in budgeted versus actual revenue for Program Sales, Concessions, Novelty Sales, and Parking for the fiscal year ended June 30, 2011.

ROYALTIES, LICENSING, ADVERTISEMENTS, AND SPONSORSHIPS:

We selected a sample of agreements related to royalty and corporate sponsorship income. FAU entered into a ten year license agreement titled "Soft Drink Pouring Rights Contract" with an outside vendor. The vendor has exclusive rights to sell beverages on FAU's campuses marketing Pepsi products. The vendor is to pay FAU amounts based on net sales of all items with a guaranteed annual minimum payment of \$200,000. Of this amount, FAU has allocated an annual maximum amount of \$180,000 to the Athletics Department. This agreement and other sponsorship agreements aggregated most of the \$331,990 reported as revenue on the Statement for the fiscal year ended June 30, 2011. We selected amounts totaling \$309,329 (approximately 93% of the total reported on the Statement) for testing and traced selected amounts received to FAU's general ledger. We also traced the payment terms and amounts that appeared in the contracts to the amounts received and recorded in the general ledger. We also agreed the period terms in the contracts to the reporting period.

Findings:

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

Analytical Findings:

There was no significant variance in revenue from Royalties, Licensing, Advertisements, and Sponsorships during the fiscal year ended June 30, 2011 as compared to the fiscal year ended June 30, 2010. Actual revenue exceeded budgeted totals for the fiscal year ended June 30, 2011 by approximately 11%. This positive variance is due in part to a payment received in the current year for an amount applicable to the prior year regarding one of the University's sponsorship agreements. The amount received was approximately \$11,000 more than anticipated. Otherwise, there is no significant variance between actual and budgeted totals for the year ended June 30, 2011.

OTHER REVENUE:

We obtained from the Athletics Department a sample of receipts selected from supporting schedules noting no differences as to the amount recorded or the period in which it should be recorded. We noted that supporting schedules and the general ledger detail agree to the total of \$796,717 reported in the Statement. This amount consists of approximately \$514,000 in rental income for the rental of various FAU facilities to outside parties, approximately \$116,000 attributable to the Athletics Department's golf tournament, and various other miscellaneous items making up the remaining portion of the total.

OTHER REVENUE (CONTINUED):

Findings:

We found no exceptions as a result of these procedures.

Analytical Findings:

Other Revenue increased from \$640,328 during the fiscal year ended June 30, 2010 to \$796,717 during the fiscal year ended June 30, 2011. This increase is primarily a result of revenue earned of approximately \$116,000 from the Athletics Department's golf tournament being included in this revenue category for the fiscal year ended June 30, 2011. In fiscal year ended June 30, 2010 the golf tournament's revenue was included in Contributions. This revenue line item is not individually budgeted; therefore, a comparison between actual and budgeted totals can not be made.

EXPENSES:

For all expense categories reported on the Statement, we performed the following procedures:

- A) We compared and agreed each operating expense category reported in the Statement during the reporting period to supporting schedules provided by FAU.
- B) We compared and agreed a sample of operating expenses obtained from operating expense supporting schedules to supporting documentation.
- C) We compared and agreed each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variations.
- D) We agreed the amounts reported on the Statement for each expense category to the University's general ledger.
- E) We recalculated all totals.

We performed the above procedures, as well as the additional procedures for each expense category as follows:

OPERATING EXPENSES:

ATHLETIC STUDENT AID:

From the Athletics Department we obtained and reviewed a listing of student aid recipients during the reporting period and selected a sample of seven students. We obtained each selected students' signed award letter and billing statement for the fiscal year ended June 30, 2011. The billing statements segregated the amounts paid by the Athletics Department into scholarship awards and student payments. We agreed the amounts paid on each billing statement to the terms in the related award letter. The student aid listing is created for students who are eligible to receive athletic scholarships. The amount in the listing is based on a full course load of 15 credit hours and a books stipend of \$400. Any additional expense, such as an additional credit hour in the course load, is usually covered by the athletics scholarship program. The Athletics Department is willing to provide students with some additional funding, if needed. Students who do not take the full course load of classes receive less aid than the listing will show. The billing statement indicates the amount that is paid by the Athletics Department along with the tuition waivers given to applicable students.

ATHLETIC STUDENT AID (CONTINUED):

Findings:

We found no exceptions as a result of these procedures.

Analytical Findings:

There was no significant variance in Athletic Student Aid expense during the fiscal year ended June 30, 2011 as compared to the fiscal year ended June 30, 2010. The budgeted total for the fiscal year ended June 30, 2011 exceeded actual results by approximately 14% primarily as a result of the Athletics Department giving out less in scholarship awards during the fiscal year ended June 30, 2011.

GUARANTEES:

From the Athletics Department we obtained and reviewed a sample of five athletic agreements/contracts which detail the guaranteed expenses that were incurred by FAU for participation in home games. The five agreements/contracts selected for testing aggregated \$350,000 (approximately 91% of total guarantees expense reported on the Statement). We traced the amounts that appeared on the athletics agreements/contracts to the general ledger. We also agreed the event dates stated on the athletics agreements/contracts to the reporting period.

Findings:

We found no exceptions as a result of these procedures.

Analytical Findings:

Guarantees decreased from \$407,875 during the fiscal year ended June 30, 2010 to \$386,562 during the fiscal year ended June 30, 2011. This decrease was primarily caused by an out-of-conference football home game (vs. the University of Wyoming) which required a large guarantee during the fiscal year ended June 30, 2010. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results. However, there was no significant variance noted between budgeted and actual operating expenses in the aggregate.

COACHING SALARIES, BENEFITS, AND BONUSES:

We obtained a schedule of coaches' salaries from the Athletics Department and agreed the amount to the salaries listing, which was reconciled to the general ledger. We selected ten coaches for which we obtained and inspected the 2010 Form W-2 for each selection. The 2011 Form W-2's were not yet available at the time these procedures were performed. Therefore, we also performed a payroll reconciliation for these ten selections in order to verify that the amounts reported in the 2010 Form W-2's were properly included in the coaches' salaries reported in the Statement during the reporting period. We obtained the coaches' contracts and terms of the salaries, and agreed the amounts to the salaries schedule.

COACHING SALARIES, BENEFITS, AND BONUSES (CONTINUED):

Findings:

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

Analytical Findings:

No significant variance was noted in Coaching Salaries, Benefits, and Bonuses paid during the fiscal year ended June 30, 2011 as compared to the previous year. The budget did not break out this line item from Support Staff and Administrative Salaries, Benefits, and Bonuses. Therefore, a true budget to actual comparison cannot be made. Overall, no significant variance was noted between budgeted amounts in the aggregate for these two line items as compared to actual costs.

SUPPORT STAFF AND ADMINISTRATIVE SALARIES, BENEFITS, AND BONUSES:

We obtained a schedule of support staff and administrative personnel salaries from the Athletics Department and agreed the amount to the salaries listing, which was reconciled to the general ledger. We selected five support staff and administrative personnel for which we obtained and inspected the 2010 Form W-2 for each selection. The 2011 Form W-2's were not yet available at the time these procedures were performed. Therefore, we performed a payroll reconciliation for these five selections in order to verify that the amounts reported in the 2010 Form W-2's were properly included in the salaries reported in the Statement during the reporting period.

Findings:

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

Analytical Findings:

No significant variance was noted in Support Staff and Administrative Salaries, Benefits, and Bonuses paid during the fiscal year ended June 30, 2011 as compared to the previous year. The budget did not break out this line item from Coaching Salaries, Benefits, and Bonuses. Therefore, a true budget to actual comparison cannot be made. Overall, no significant variance was noted between budgeted amounts in aggregate for these two line items as compared to actual costs.

SEVERANCE PAYMENTS:

We obtained a listing of all former employees who received severance payments during the fiscal year ended June 30, 2011 and traced each amount to the FAU's payroll reports. Additionally, we selected the three largest severance payments for additional testing. For each of these selections, we reviewed the former employee's personnel file, noting documentation of his/her termination and severance payments.

Findings:

We found no exceptions as a result of these procedures.

SEVERANCE PAYMENTS (CONTINUED):

Analytical Findings

Severance Payments increased from \$66,657 during the fiscal year ended June 30, 2010 to \$95,418 during the fiscal year ended June 30, 2011. This increase is primarily related to 11 terminations during the current year as compared to only 9 terminations in the prior year. This expense category was not individually budgeted for; therefore, a true budget to actual comparison cannot be made.

RECRUITING:

We obtained and reviewed the recruiting policies for the Athletics Department. Only NCAA certified athletics' staff members are allowed to make off-campus recruiting visits. Expenses such as airfare, gas reimbursement, meals, and lodging expenses are covered for prospective student athletes. All expenses used for recruiting must be approved by the Associate Athletic Director for compliance. There must be an approved expense request prior to taking a recruiting trip for an authorized staff member. We selected the four departments with the largest recruiting expenses and haphazardly selected ten different expenses from within these four departments. We obtained copies of the invoices for the items selected and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

Findings:

We found no exceptions as a result of these procedures.

Analytical Findings:

There was no significant variance in Recruiting expenses during the fiscal years ended June 30, 2011 and 2010. This expense category was not individually budgeted because it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results. However, there was no significant variance noted between budgeted and actual operating expenses in aggregate.

TEAM TRAVEL:

We obtained and reviewed the team travel policies for the Athletics Department. It is required that the prospective traveler (whether a team, a prospective individual, or a coach) submit requests to the Athletics Department in writing for the expected travel. This submission is done on forms provided by the Athletics Department. A travel itinerary form must be submitted with the name and the internally assigned account numbers of the team members and non-team members traveling. The travel accommodations will be selected based on the best economic and appropriate means. The state will reimburse certain travel expenses, such as rental vehicles and hotel accommodations. We selected the 4 departments with the largest team travel expenses and haphazardly selected 10 items to inspect. We obtained a copy of the applicable invoices and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

TEAM TRAVEL (CONTINUED):

Findings:

We found no exceptions as a result of these procedures.

Analytical Findings:

Actual expenses for Team Travel increased from \$1,698,668 during the fiscal year ended June 30, 2010 to \$2,211,741 during the fiscal year ended June 30, 2011. This increase is primarily related to the football team travelling to Michigan for a game played at a neutral venue. This expense category was not individually budgeted because it was included in an overall operating expense budget; therefore, a true budget to actual comparison cannot be made against actual results. However, there was no significant variance noted between budgeted and actual operating expenses in aggregate.

EQUIPMENT, UNIFORMS, AND SUPPLIES:

From a report supplied by the Athletics Department, we haphazardly selected a sample of ten different equipment, uniforms, and supplies expenses from the 5 sports with the largest expenses. We obtained copies of the invoices for the items selected and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

Findings:

We found no exceptions as a result of these procedures.

Analytical Findings:

Actual expenses for Equipment, Uniforms, and Supplies increased from \$623,491 during the fiscal year ended June 30, 2010 to \$715,844 during the fiscal year ended June 30, 2011. This increase is attributable to normal fluctuations from year-to-year pertaining to the Athletics Department's needs for new equipment, uniforms, and supplies, in part due to graduations and the number of new players on various teams. This expense category was not individually budgeted because it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results. However, there was no significant variance noted between budgeted and actual operating expenses in aggregate.

GAME EXPENSES:

From a report supplied by the Athletics Department, we haphazardly selected a sample of ten different game expenses from four departments with significant game expense totals. We obtained a copy of the invoices for the ten selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

GAME EXPENSES (CONTINUED):

Findings:

We found no exceptions as a result of these procedures.

Analytical Findings:

There was no significant variance in Game Expenses incurred during the fiscal years ended June 30, 2011 and 2010. This expense category was not individually budgeted because it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results. However, there was no significant variance noted between budgeted and actual operating expenses in aggregate.

FUND RAISING, MARKETING, AND PROMOTION:

From a report supplied by the Athletics Department, we haphazardly selected a sample of ten different Fund Raising, Marketing, and Promotion expenses from the three departments with the largest such expenses. We obtained copies of the invoices for the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

Findings:

We found no exceptions as a result of these procedures.

Analytical Findings:

Fund Raising, Marketing, and Promotion expense increased from \$469,087 during the fiscal year ended June 30, 2010 to \$771,337 during the fiscal year ended June 30, 2011. This increase is primarily caused by additional marketing expenses related to the new football stadium. This expense category was not individually budgeted because it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results. However, there was no significant variance noted between budgeted and actual operating expenses in aggregate.

DIRECT FACILITIES, MAINTENANCE, AND RENTAL:

From a report supplied by the Athletics Department, we haphazardly selected a sample of five different Direct Facilities, Maintenance, and Rental expenses from three departments with such expenses. We obtained a copy of the invoices applicable to the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

Findings:

We found no exceptions as a result of these procedures.

DIRECT FACILITIES, MAINTENANCE, AND RENTAL (CONTINUED):

Analytical Findings:

Direct facilities, maintenance, and rental expense decreased from \$291,710 during the fiscal year ended June 30, 2010 to \$239,856 during the fiscal year ended June 30, 2011. This decrease is primarily caused by the Athletics Department's reduced usage of its vans, which reduced maintenance and gas expense. This expense category was not individually budgeted because it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results. However, there was no significant variance noted between budgeted and actual operating expenses in aggregate.

SPIRIT GROUPS:

From a report supplied by the Athletics Department, we haphazardly selected a sample of five different Spirit Group expenses from three departments with such expenses. We obtained a copy of the invoices applicable to the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

Findings:

We found no exceptions as a result of these procedures.

Analytical Findings:

There was no significant variance in Spirit Group expenses during the fiscal years ended June 30, 2011 and 2010. This expense category was not individually budgeted because it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results. However, there was no significant variance noted between budgeted and actual operating expenses in aggregate.

INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT:

As detailed in the Indirect Facilities and Administrative Support revenue category findings, FAU does not track the indirect institutional support for the Athletics Department utilities expense, and as such, \$570,000 has been allocated to utilities expense based upon estimates made by the University of usage by the Athletics Department. Also included in this expense category is \$641,186 in indirect support from the FAU Academics Department, and \$42,969 pertaining to security costs, as detailed in the direct institutional support revenue category findings.

Findings:

We found no significant exceptions as a result of the procedures performed as described in the Indirect Facilities and Administrative Support revenue section.

INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT (CONTINUED):

Analytical Findings:

Indirect Facilities and Administrative Support increased from \$789,011 during the fiscal year ended June 30, 2010 to \$1,254,155 during the fiscal year ended June 30, 2011. This increase was primarily because one academic department was not included in this category in the fiscal year ended June 30, 2010, as discussed in the Indirect Facilities and Administrative Support revenue section. This expense category was not budgeted because it is offset by Indirect Facilities and Administrative Support Revenue; therefore a budget versus actual comparison cannot be made.

MEDICAL EXPENSES AND MEDICAL INSURANCE:

We haphazardly selected a sample of five different Medical and Medical Insurance expenses from two departments that had significant such expenses. We obtained a copy of the invoices applicable to the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

Findings:

We found no exceptions as a result of these procedures for four of the five invoices selected for testing. One invoice, in the amount of \$72,409 pertained to medical insurance expenses for the fiscal year ended June 30, 2010 that had not been paid or accrued by FAU in the previous fiscal year, therefore, it was recorded in the current year when it was paid.

Analytical Findings:

Actual Medical and Medical Insurance expense increased from \$367,524 during the fiscal year ended June 30, 2010, to \$420,998 during the fiscal year ended June 30, 2011. This increase is primarily caused by the previous year's invoice being paid for and recorded in the current year, as discussed above. This expense category was not individually budgeted because it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results. However, there was no significant variance noted between budgeted and actual operating expenses in aggregate.

MEMBERSHIPS AND DUES:

From a report provided by the Athletics Department, we selected three Membership and Dues expenses comprising approximately 98% of the total applicable expenses. We obtained copies of the three invoices and agreed them to the general ledger. We also assessed whether the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

Findings:

We found no exceptions as a result of these procedures.

MEMBERSHIPS AND DUES (CONTINUED):

Analytical Findings:

There was no significant variance in Membership and Dues expense during the fiscal years ended June 30, 2011 and 2010. This expense category was not individually budgeted because it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results. However, there was no significant variance noted between budgeted and actual operating expenses in aggregate.

OTHER OPERATING EXPENSES:

From a report provided by the Athletics Department, we haphazardly selected a sample of ten different Other Operating expenses from five departments with such expenses. We obtained copies of the invoices applicable to the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

Findings:

We found no exceptions as a result of these procedures.

Analytical Findings:

There was no significant variance in Other Operating expense during the fiscal years ended June 30, 2011 and 2010. This expense category was not individually budgeted because it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results. However, there was no significant variance noted between budgeted and actual operating expenses in aggregate.

NON-OPERATING EXPENSE – TRANSFERS TO INSTITUTION

This line item represents amounts transferred from the Athletics Department to the University during the fiscal year ended June 30, 2011. During 2011, the Athletics Department transferred \$657,473 and \$624,838, to the University representing the Athletics Department's profits applicable to the fiscal years ended June 30, 2011 and 2010, respectively. Additionally, the Athletics Department transferred \$333,640 to the University, to be used toward FAU's new on-campus football stadium, from revenue derived from the football team's neutral site home game in Michigan. These amounts total \$1,615,951, which is reported as non-operating expense on the Statement.

We traced postings applicable to these amounts to the general ledger and to the Athletics Department's journal entry form. We also assessed whether each of these amounts were recorded in the proper reporting period, proper expense category, and was approved for payment.

Findings:

We found no exceptions as a result of these procedures.

NON-OPERATING EXPENSE – TRANSFERS TO INSTITUTION (CONTINUED)

Analytical Findings:

This expense category is new in the fiscal year ended June 30, 2011 because, therefore, there is no comparison to be made to a prior year total. This expense category was not individually budgeted for; therefore, a true budget to actual comparison cannot be made.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, on the compliance of the accompanying Statement of Revenue and Expenses of the Florida Atlantic University Athletics Department. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Athletics Department, the Board of Trustees of FAU, the State of Florida Board of Education, and the NCAA, and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann PC.

Boca Raton, Florida
January 11, 2012

**FLORIDA ATLANTIC UNIVERSITY INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011 (UNAUDITED)**

	<u>FOOTBALL</u>	<u>MEN'S BASKETBALL</u>	<u>WOMEN'S BASKETBALL</u>	<u>OTHER SPORTS</u>	<u>PROGRAM SPECIFIC</u>	<u>TOTAL</u>
REVENUE						
Ticket sales	\$ 1,179,020	\$ 88,646	\$ 2,314	\$ 69,141	\$ 22,855	\$ 1,361,976
Student fees	3,153,554	300,319	343,222	6,628,259	-	10,425,354
Guarantees	1,350,000	235,000	24,000	5,500	-	1,614,500
Contributions	985,222	22,946	10,123	48,753	281,129	1,348,173
Direct institutional support	176,110	69,954	52,500	531,507	491,545	1,321,616
Indirect facilities and administrative support	-	-	-	42,969	1,211,186	1,254,155
NCAA/conference distributions	-	3,000	-	-	910,776	913,776
Program sales, concessions, novelty sales, and parking	19,563	13,185	-	3,006	34,411	70,165
Royalties, licensing, advertisements, and sponsorships	3,500	-	-	100	328,390	331,990
Other revenue	2,750	1,400	-	99,169	693,398	796,717
Total Revenue	<u>6,869,719</u>	<u>734,450</u>	<u>432,159</u>	<u>7,428,404</u>	<u>3,973,690</u>	<u>19,438,422</u>
EXPENSES						
Operating expenses:						
Athletic student aid	1,399,758	311,150	304,498	1,859,622	43,467	3,918,495
Guarantees	350,000	8,000	5,190	23,372	-	386,562
Coaching salaries, benefits, and bonuses	1,399,844	483,933	329,670	1,214,049	6,000	3,433,496
Support staff and administrative salaries, benefits, and bonuses	56,052	33,508	10,996	-	1,709,954	1,810,510
Severance payments	45,979	4,880	6,823	8,796	28,940	95,418
Recruiting	111,456	52,336	45,289	51,153	-	260,234
Team travel	1,029,336	313,699	160,504	708,202	-	2,211,741
Equipment, uniforms, and supplies	164,017	29,058	21,677	264,466	236,626	715,844
Game expenses	168,578	90,374	49,048	95,862	11,365	415,227
Fund raising, marketing, and promotion	21,910	-	6,000	-	743,427	771,337
Direct facilities, maintenance, and rental	136,538	-	-	7,048	96,270	239,856
Spirit groups	-	-	-	-	41,905	41,905
Indirect facilities and administrative support	-	-	-	42,969	1,211,186	1,254,155
Medical expenses and medical insurance	-	-	-	-	420,998	420,998
Memberships and dues	60	1,080	435	12,688	92,714	106,977
Other operating expenses	45,290	13,354	4,340	16,343	545,118	624,445
Total operating expenses	<u>4,928,818</u>	<u>1,341,372</u>	<u>944,470</u>	<u>4,304,570</u>	<u>5,187,970</u>	<u>16,707,200</u>
Non-operating expense:						
Transfers to institution	333,640	-	-	-	1,282,311	1,615,951
Total expenses	<u>5,262,458</u>	<u>1,341,372</u>	<u>944,470</u>	<u>4,304,570</u>	<u>6,470,281</u>	<u>18,323,151</u>
Excess (deficiency) of revenue over (under) expenses	<u>\$ 1,607,261</u>	<u>\$ (606,922)</u>	<u>\$ (512,311)</u>	<u>\$ 3,123,834</u>	<u>\$ (2,496,591)</u>	<u>\$ 1,115,271</u>