

**THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION**

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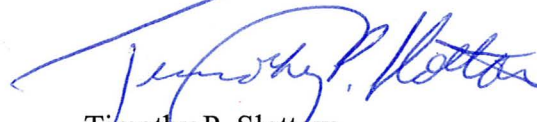
ITEM FOR INFORMATION

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, 2011

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, 2011. 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. Slottow
Executive Vice President
and Chief Financial Officer

January 2012
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 Intercollegiate Athletics of the University of Michigan (the "Program") and the related booster and alumni organizations, which were agreed to by the University of Michigan's (the "University") administration, solely to assist with the University's compliance with National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.16 in connection with activities of the Program, for the year ended June 30, 2011. Management of the Program is responsible for the accounting records of the Program 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 Program was subject to an audit of its financial statements as of and for the year ended June 30, 2011. 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. Our procedures and findings are as follows:

- a) We obtained the following list of booster and alumni organizations and a rollforward of the cash balance for the year ended June 30, 2011, from the Program. We verified the mathematical accuracy of the rollforward, below, without exception. 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). 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	\$ 80,160	\$ 72,431	\$ (500)	\$ (58,286)	\$ 93,805
Dekers Blue Line Club	16,072	53,462	(35,872)	(21,234)	12,428
Bob Ufer Quarterbacks Club	815	50,325	(11,860)	(26,700)	12,580
University of Michigan Diamond Club	58,638	191	(2,856)	(5,083)	50,890
Michigan Women's Athletic Association	59,426	28,083	(8,250)	(10,507)	68,752
University of Michigan Club of Ann Arbor	7,519	55,800	(516)	(26,765)	36,038
Total booster organizations	222,630	260,292	(59,854)	(148,575)	274,493
Alumni Organizations:					
University of Michigan Club of Greater Detroit:					
Operating Fund	56,827	219,366	(15,504)	(211,382)	49,307
Scholarship Fund	60,391	12,244			72,635
University of Michigan Club of Greater Flint:					
University of Michigan Club of Chicago	39,615	69,873	(20,410)	(57,110)	31,968
University of Michigan Club of Grand Rapids	100,093	70,303		(56,108)	114,288
University of Michigan Club of Northville	52,619	31,597		(44,248)	39,968
University of Michigan Club of Toledo	7,693	11,354		(11,022)	8,025
University of Michigan Club of Mt. Clemens	23,713	10,007	(122)	(21,686)	11,912
Total alumni organizations	18,987	9		(500)	18,496
Total booster and alumni organizations	359,938	424,753	(36,036)	(402,056)	346,599
	\$ 582,568	\$ 685,045	\$ (95,890)	\$ (550,631)	\$ 621,092

- (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 \$87,646 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 \$7,743 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	\$ 301,859
Tickets	71,257
Scholarships	58,226
Administrative expenses	42,440
Meetings	19,242
Other club activities*	<u>57,607</u>
Total expenditures not on behalf of Program	<u>\$ 550,631</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 or directors. We traced and agreed amounts to the rollforward schedule presented in a) and to the related general ledger of the Program. 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 the Schedule of Revenues and Expenses (the "Schedule") for the year ended June 30, 2011 submitted to the NCAA as part of the NCAA's required annual financial survey. The Schedule, prepared by the Program's management, is included in Attachment 1. We recalculated the totals appearing on the Schedule and obtained a reconciliation of revenue and expense amounts on the Schedule to those in the audited financial statements. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained.
- e) We obtained a listing of all contributions received by the Program during the year ended June 30, 2011 and recalculated the total of the listing and agreed the total from the listing to the total from the Schedule. There were no contributions greater than ten percent of the total of all contributions received by the Program during the year ended June 30, 2011.
- f) We obtained a summary schedule of away game guarantees from management of the Program and agreed it to the general ledger. We compared the total revenues for away game guarantees in the summary schedule to the corresponding amount in the Total column on the Schedule. We recalculated the total of the summary schedule. We selected 2 guarantees for revenues for away games for the year ended June 30, 2011 from the summary schedule provided by the Program's management and compared the guarantee revenue on the schedule provided by the Program's management to amounts specified in contracts and settlement reports. We confirmed that the games selected were away games by obtaining the schedule of games from the University's Athletics website, MGoBlue.com. Refer to schedule below for a listing of selections made and the results of testing. No exceptions were noted.

	Exception (Yes/No)
Men's football, September 11, 2010	No
Men's hockey, November 28, 2010	No

- g) We obtained a detailed schedule of guarantee expenses for the year ended June 30, 2011 and agreed it to the general ledger. We recalculated the total of the detailed schedule and compared the total expenses for home game guarantees in the schedule provided by the University to the corresponding amount in the Total column on the Statement. We selected 4 guarantees for expenses for home games from the detailed schedule and compared the guarantee expense on the schedule provided by the University to amounts specified in contracts and settlement reports. Refer to schedule below for a listing of selections made and the results of testing. No exceptions were noted.

	<u>Exception (Yes/No)</u>
Men's football, September 1, 2010	No
Men's football, September 25, 2010	No
Men's basketball, December 18, 2010	No
Men's hockey, October 2, 2010	No

- h) We selected ten sports listed on the University's Athletics website, MGoBlue.com, and haphazardly selected one student-athlete from the squad list for each sport as of June 30, 2011. We obtained the Big Ten tenders for financial aid from the selected athlete's file, observed the financial aid listed on the tender, and agreed this to the information listed on the squad list. We observed the amount of financial aid the athlete received in the University's student financial aid system. We recalculated the amount of financial aid per the financial aid system and ensured that it was less than or equal to the full Grant-in-Aid amount listed on the squad list. Refer to schedule below for a listing of selections made and the results of testing. No exceptions were noted.

<u>Selected Student's Sport</u>	<u>Exception (Yes/No)</u>
Men's baseball	No
Men's basketball	No
Men's track	No
Men's football	No
Men's golf	No
Men's gymnastics	No
Men's hockey	No
Women's basketball	No
Women's rowing	No
Women's softball	No

- i) We obtained a listing of coaches employed by the University for the year ended June 30, 2011 and compared the total expenses for coaches salaries in the detailed listing which was agreed to Program's general ledger to the corresponding amount in the Total column on the Schedule. We recalculated the total of the listing.

- (1) From the listing of coaches employed by the University, we selected 12 coaches, including coaches for football, men's basketball and women's basketball. 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 records during the fiscal year ended June 30, 2011. 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 records during the fiscal year ended June 30, 2011. Also, we obtained supporting documentation, including authorization from the Athletic Director, for any additional compensation received by

these coaches that was not included in their original contract or in the bonus calculation. For any compensation 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. Refer to schedule below for a listing of selections made and the results of testing. No exceptions were noted.

	<u>Exception (Yes/No)</u>
Men's Hockey Head Coach	No
Men's Basketball Head Coach	No
Men's Baseball Head Coach	No
Men's Football Head Coach:	
July 1, 2010 to January 7, 2011	No
January 12, 2011 to June 30, 2011	No
Women's Gymnastics Head Coach	No
Women's Tennis Head Coach	No
Women's Soccer Head Coach	No
Women's Field Hockey Head Coach	No
Women's Softball Head Coach	No
Men's Football Defensive Coordinator	No
Women's Basketball Head Coach	No

- (2) For coaches not employed under contract, we selected 5 coaches from the listing of coaches that received bonuses during the year ended June 30, 2011. We recalculated the bonus received per the payroll system records based on guidelines per the Performance Payment Program, a schedule prepared by the Program which details bonus guidelines based on various criteria met. Refer to schedule below for a listing of selections made and the results of testing. No exceptions were noted.

	<u>Exception (Yes/No)</u>
Men's Soccer Head Coach	No
Women's Field Hockey Assistant Coach	No
Men's Wrestling Head Coach	No
Women's Softball Assistant Coach	No
Men's Golf Head Coach	No

- j) We obtained a listing of salaried support staff for athletics and their compensation for the year ended June 30, 2011 and compared the total expenses for support staff salaries in the detailed listing, which was agreed to Program's general ledger, to the corresponding amount in the Total column on the Schedule. We recalculated the total of the listing. We obtained a listing of support staff under contract and selected 2 support staff paid by the University and agreed the recorded compensation expense per the June 30, 2011 general ledger to their respective contracts. Refer to schedule below for a listing of selections made and the results of testing. No exceptions were noted.

	<u>Exception (Yes/No)</u>
Athletic Director	No
Men's Football Director of Strength and Conditioning	No

- k) We agreed the direct institutional support recognized in the Schedule for the year ended June 30, 2011 to the general ledger. No exceptions were noted.
- l) We compared the indirect institutional support recorded by the institution during the year ended June 30, 2011 to a summary schedule prepared by management. The summary schedule was agreed to the general ledger. We recalculated the total indirect institutional expense for the period and agreed to management's worksheets. No exceptions were noted.
- m) We obtained an understanding of the University's methodology for allocating indirect facilities and administrative support during the year ended June 30, 2011. We compared the indirect facilities and administrative support expense reported by the University in the Schedule to the corresponding revenue category reported by the University in the Schedule. We recalculated the totals for indirect facilities and administrative support. No exceptions were noted.
- n) We obtained copies of the University's recruiting and travel policies and compared the index of these policies to the NCAA policies noting that the policies had attributes of the NCAA policies. No exceptions were noted.
- o) We obtained a representation letter from management.

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 Program as of or for the fiscal year ended June 30, 2011. 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 Program 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.

Mary Sue Coleman LLP

December 21, 2011

**The University of Michigan Department of Athletics
Schedule of Revenues and Expenses Submitted to NCAA
For the Year Ended June 30, 2011 (UNAUDITED)**

Item	Football	Men's Basketball	Women's Basketball	Other Sports	Non- Program Specific	Total
Revenues						
Ticket Sales	\$ 35,747,432	\$ 2,436,636	\$ 47,251	\$ 3,414,753	\$ 22,517	\$ 41,668,589
Student Fees						-
Guarantees				283,619		283,619
Contributions	22,452,520	60,720	29,485	394,603	5,024,295	27,961,623
Compensation and Benefits Provided by a Third Party						-
Direct State or Other Government Support						-
Direct Institutional Support				3,267	16,855	20,122
Indirect Facilities and Administrative Support					252,562	252,562
NCAA/Conference Distributions including all tournament revenues	9,237,121	6,425,817		209,399	8,392,242	24,264,579
Broadcast, Television, Radio, and Internet Rights						-
Program Sales, Concessions, Novelty Sales, and Parking	1,921,672	198,248	18,551	241,665	1,022,997	3,403,133
Royalties, Licensing, Advertisements and Sponsorships					19,077,794	19,077,794
Sports Camp Revenues					151,002	151,002
Endowment and Invested Income	941,931	33,268	45,659	959,739	783,246	2,763,843
Other Operating Revenues			650	42,185	2,849,351	2,892,186
Total Operating Revenues	<u>70,300,676</u>	<u>9,154,689</u>	<u>141,596</u>	<u>5,549,230</u>	<u>37,592,861</u>	<u>122,739,052</u>
Expenses						
Athletic Student Aid	4,386,861	591,083	587,657	10,587,680	169,934	16,323,215
Guarantees	1,450,000	307,321	23,500	54,488		1,835,309
Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	6,262,941	2,325,462	748,752	6,476,661		15,813,816
Coaching Other Compensation and Benefits Paid by a Third Party						-
Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities	1,381,650	410,844	213,881	390,077	19,544,568	21,941,020
Support Staff/Administrative Other Compensation and Benefits Paid by a Third Party						-
Severance Payments	3,144,610			34,605		3,179,215
Recruiting	577,663	182,052	112,672	607,970		1,480,357
Team Travel	1,702,888	573,595	323,468	3,913,133	90,063	6,603,147
Equipment, Uniforms and Supplies	825,815	120,465	85,816	1,211,881	1,262,480	3,506,457
Game Expenses	1,918,716	337,771	147,498	1,290,547	127,064	3,821,596
Fund Raising, Marketing and Promotion	77,426	27,794	11,635	157,364	1,582,175	1,856,394
Sports Camp Expenses						-
Direct Facilities, Maintenance, and Rental					24,944,126	24,944,126
Spirit Groups					849,025	849,025
Indirect Facilities and Administrative Support					252,562	252,562
Medical Expenses and Medical Insurance					456,251	456,251
Memberships and Dues	699		617	103	109,067	110,486
Other Operating Expenses	1,822,964	225,742	98,667	945,857	5,778,347	8,871,577
Total Operating Expenses	<u>23,552,233</u>	<u>5,102,129</u>	<u>2,354,163</u>	<u>25,670,366</u>	<u>55,165,662</u>	<u>111,844,553</u>
Transfers to Institution					1,973,500	1,973,500
Total Expenses	<u>23,552,233</u>	<u>5,102,129</u>	<u>2,354,163</u>	<u>25,670,366</u>	<u>57,139,162</u>	<u>113,818,053</u>
Excess (Deficiencies) of Revenues Over (Under) Expenses	<u>\$ 46,748,443</u>	<u>\$ 4,052,560</u>	<u>\$ (2,212,567)</u>	<u>\$ (20,121,136)</u>	<u>\$ (19,546,301)</u>	<u>\$ 8,920,999</u>

