

**THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION**

**Received by the Regents
November 18, 2010**

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, 2010

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, 2010. 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

November 2010
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, 2010. 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, 2010. 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:

Agreed-Upon Procedures

- (a) We obtained the following list of booster and alumni organizations and related financial report for the year ended June 30, 2010 (unaudited), from the Department of Athletics. We verified the mathematical accuracy of the related financial report, below, without exception. We traced and agreed all amounts within the financial report, below, to the 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) within an immaterial difference.

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	\$ 70,150	\$ 60,440	\$ (26,050)	\$ (24,380)	\$ 80,160
Dekers Blue Line Club	31,549	45,718	(31,986)	(29,209)	16,072
Bob Ufer Quarterbacks Club	6,067	39,010	(6,712)	(37,550)	815
University of Michigan Diamond Club	57,896	2,641	(238)	(1,662)	58,638
Michigan Women's Athletic Association	75,588	8,789	(8,250)	(16,701)	59,426
University of Michigan Club of Ann Arbor	4,749	32,508	(11,200)	(18,537)	7,519
Total booster organizations	245,999	189,106	(84,436)	(128,039)	222,630
Alumni organizations					
University of Michigan Club of Greater Detroit					
Operating Fund	51,363	190,479	(10,970)	(174,045)	56,827
Scholarship Fund	60,311	636	-	(556)	60,391
University of Michigan Club of Greater Flint	34,132	76,759	(20,456)	(50,820)	39,615
University of Michigan Club of Chicago	90,372	66,550	-	(56,829)	100,093
University of Michigan Club of Grand Rapids	76,081	41,663	(512)	(64,613)	52,619
University of Michigan Club of Northville	8,009	6,999	-	(7,315)	7,693
University of Michigan Club of Toledo	36,637	6,745	(26)	(19,643)	23,713
University of Michigan Club of Mt. Clemens	19,475	12	-	(500)	18,987
Total alumni organizations	376,380	389,843	(31,964)	(374,321)	359,938
Total booster and alumni organizations	\$ 622,379	\$ 578,949	\$ (116,400)	\$ (502,360)	\$ 582,568

- (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 \$81,586 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 \$34,814 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:

Administrative expenses	\$	69,827
Banquets and outings		259,138
Tickets		46,554
Scholarships		45,120
Meetings		16,474
Other club activities *		65,247
Total expenditures not on behalf of Program	\$	<u>502,360</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 financial report presented in (a) above, and to the related general ledger of the Program. Refer to agreed upon procedure (a) for details. No exceptions were noted.
- (c) We reconciled all direct donations from the booster and alumni organizations to revenues recorded in the Program's general ledger. No exceptions were noted.
- (d) We obtained a listing of all contributions received by the Program for the year ended June 30, 2010. We compared this listing to the amounts reported on the general ledger within an immaterial difference. We verified the mathematical accuracy of the related listing of all contributions without exception. We noted no contributions received directly by the Program which were more than 10% of all contributions received by the Program during the year ended June 30, 2010. No exceptions were noted.

- (e) We note there were no football non-conference away games during the year ended June 30, 2010. We obtained one men's ice hockey and one men's basketball away game contractual agreement related to guaranteed revenue received during the year ended June 30, 2010. We agreed the guaranteed revenues received per the contractual agreements obtained to the June 30, 2010 general ledger. No exceptions were noted.
- (f) We obtained two football non-conference home game settlement reports, as well as the related contractual agreements for the year ended June 30, 2010. We agreed the guaranteed expenses per both the settlement reports selected and the related contractual agreements to the June 30, 2010 general ledger. In addition, we obtained one men's basketball non-conference home game and one men's ice hockey non-conference home game contractual agreement for the year ended June 30, 2010 and agreed the guaranteed expense per the agreement to the June 30, 2010 general ledger. No exceptions were noted.
- (g) We selected ten sports and haphazardly selected one student-athlete from the squad list for each sport as of June 30, 2010. 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. No exceptions were noted.
- (h) We obtained compensation contracts for all coaches employed under a contractual agreement, specifically men's ice hockey, men's basketball, men's baseball, men's football, women's tennis, women's gymnastics, women's soccer, women's field hockey, and women's softball. We agreed the sum of the base salary and any additional compensation listed in each contract to the total gross wages paid to the coaches per the payroll system during the fiscal year ended June 30, 2010. We recalculated the bonus paid to each coach employed under contract based on the contract terms. We agreed the calculated amount to the actual bonus paid per the payroll system during the fiscal year ended June 30, 2010. 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. No exceptions were noted.

For coaches not employed under contract, we selected a sample of 5 coaches from the listing of coaches that received bonuses during the fiscal year ended June 30, 2010. We recalculated the bonuses received per the payroll system based on guidelines per the Program's NCAA Post-Season Criteria listing, a schedule prepared by the Program which details bonus guidelines based on various criteria met. No exceptions were noted.

- (i) We obtained and reviewed the Recruiting and Team Travel policies. The Program has a compliance department that hosts annual training meetings to discuss the new NCAA regulations. The compliance department also sends out regular reminders and updates of policies and procedures during the year. We inquired of the compliance department and discussed procedures performed to ensure NCAA regulations related to Recruiting and Team Travel are met. To confirm compliance with NCAA regulations related to Recruiting and Team Travel, we obtained and reviewed the University of Michigan NCAA Compliance Manual. No exceptions were noted.

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, 2010. 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.

PricewaterhouseCoopers LLP

October 19, 2010