

**THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION**

Received by the Regents  
November 19, 2009


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, 2009

**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, 2009. The supplemental information represents a report on agreed-upon procedures performed by PricewaterhouseCoopers, in addition to the financial statement audit, in accordance with the National Collegiate Athletic Association's financial audit requirements (NCAA Bylaw 6.2.3).

Respectfully submitted,



Timothy P. Slottow  
Executive Vice President  
and Chief Financial Officer

November 2009  
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 6.2.3 in connection with activities of the Program, for the year ended June 30, 2009. 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, 2009. 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 6.2.3. 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, 2009 (unaudited), from the Director of Athletics. We verified the mathematical accuracy of the related financial report, below, without exception. We traced and agreed all amounts within the financial report, below, to the 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
<b>Booster organizations</b>					
Graduate "M" Club	\$ 90,837	\$ 51,166	\$ (6,560)	\$ (65,293)	\$ 70,150
Dekers Blue Line Club	27,317	75,603	(33,932)	(37,439)	31,549
Bob Ufer Quarterbacks Club	8,830	37,840	(20,570)	(20,033)	6,067
University of Michigan Diamond Club	61,158	12,037	(7,238)	(8,061)	57,896
Michigan Women's Athletic Association	79,067	13,900	(8,250)	(9,129)	75,588
University of Michigan Club of Ann Arbor	6,823	36,253	(10,275)	(28,052)	4,749
Total booster organizations	274,032	226,799	(86,825)	(168,007)	245,999
<b>Alumni organizations</b>					
University of Michigan Club of Greater Detroit					
Operating Fund	83,261	223,213	(6,658)	(248,453)	51,363
Scholarship Fund	67,228	-	-	(6,917)	60,311
University of Michigan Club of Greater Flint	34,876	56,697	(41,364)	(16,077)	34,132
University of Michigan Club of Chicago	93,274	102,962	(9,555)	(96,309)	90,372
University of Michigan Club of Grand Rapids	37,150	55,615	(2,140)	(14,544)	76,081
University of Michigan Club of Northville	9,183	7,691	(3,000)	(5,865)	8,009
University of Michigan Club of Toledo	53,599	12,195	(119)	(29,038)	36,637
University of Michigan Club of Mt. Clemens	19,530	195	-	(250)	19,475
Total alumni organizations	398,101	458,568	(62,836)	(417,453)	376,380
Total booster and alumni organizations	\$ 672,133	\$ 685,367	\$ (149,661)	\$ (585,460)	\$ 622,379

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

- (2) Contributions to or on behalf of the Program include \$138,222 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 \$11,439 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	\$ 69,874
Banquets and outings	233,572
Tickets	69,573
Scholarships	93,895
Meetings	19,281
Other club activities *	99,266
Total expenditures not on behalf of Program	<u>\$ 585,461</u>

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

- (b) We obtained written confirmation of the financial activities presented in item (a) directly from the booster and alumni organization officers. We traced and agreed amounts to the financial report presented in (a) above, and to the related general ledger of the University. Refer to agreed upon procedure (a) for details. No exceptions were noted.
- (c) We reconciled all direct donations from the booster and alumni organizations to revenues recorded in the Program's general ledger. No exceptions were noted.
- (d) We obtained a listing of all contributions received by the Program for the year ended June 30, 2009. 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 also noted that there was one contribution received directly by the Program from an anonymous donor that was more than 10% of all contributions received by the Program during the year ended June 30, 2009. The contribution was for \$2,000,000, and was given to the Wrestling Facility Fund on October 10, 2008. We obtained the gift agreement, which was signed by both the donor and the Athletic Director, and agreed the \$2,000,000 gift to the agreement without exception.

- (e) We obtained all football non-conference away game contractual agreements related to guaranteed revenue received during the year ended June 30, 2009. We noted there was only one football non-conference away game during the year ended June 30, 2009. We also obtained one men's hockey and one men's basketball away game contractual agreement related to guaranteed revenue received during the year ended June 30, 2009. We agreed the guaranteed revenues received per the contractual agreements obtained to the June 30, 2009 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, 2009. We agreed the guaranteed expenses per both the settlement reports selected and the related contractual agreements to the June 30, 2009 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, 2009 and agreed the guaranteed expense per the agreement to the June 30, 2009 general ledger. No exceptions were noted.
- (g) We selected ten sports and randomly selected one student-athlete from the squad list for each sport as of June 30, 2009. 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, 2009. 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, 2009. 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, 2009. 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 developed 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 are met. To confirm compliance with NCAA regulations, 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 University as of or for the fiscal year ended June 30, 2009. 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 21, 2009