

Received by the Regents
February 21, 2013

**THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION**

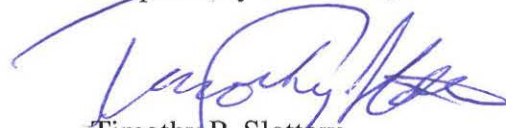
ITEM FOR INFORMATION

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, 2012

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, 2012. 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

February 2013
attachment



Report of Independent Accountants

Mary Sue Coleman, President
The University of Michigan

We have performed the procedures enumerated below, which were agreed to by Mary Sue Coleman, President of the University of Michigan (the "University"), solely to assist you in evaluating whether the accompanying statement of revenue and expenses and related notes of Intercollegiate Athletics of the University of Michigan (the "Program") for the year ended June 30, 2012 (the "Statement") is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.16 for the year ended June 30, 2012. Management of the Program is responsible for the Statement and the compliance with the NCAA 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. 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, 2012. 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. The procedures that we performed and our findings are as follows.

- We obtained the following list of booster and alumni organizations and a rollforward of the cash balance for the year ended June 30, 2012, from management of the Program. We mathematically checked the 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) without exception.

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	\$ 93,805	\$ 413,743		\$ (178,185)	\$ 329,363
Dekers Blue Line Club	12,428	36,715	\$ (21,403)	(12,069)	15,671
Bob Ufer Quarterbacks Club	12,580	56,000	(18,392)	(34,980)	15,208
University of Michigan Diamond Club	50,890	5,525		(2,577)	53,838
Michigan Women's Athletic Association	68,752	14,020	(7,000)	(8,522)	67,250
University of Michigan Club of Ann Arbor	36,038	43,124	(5,648)	(37,665)	35,849
Total booster organizations	274,493	569,127	(52,443)	(273,998)	517,179
Alumni Organizations:					
University of Michigan Club of Greater Detroit:					
Operating Fund	49,307	252,137	(13,528)	(247,546)	40,370
Scholarship Fund	72,635	1,803	(2,454)		71,984
University of Michigan Club of Greater Flint:					
University of Michigan Club of Chicago	31,968	68,164	(15,319)	(55,559)	29,254
University of Michigan Club of Grand Rapids	114,288	85,454		(35,966)	163,776
University of Michigan Club of Northville	39,968	20,077		(31,852)	28,193
University of Michigan Club of Toledo	8,025	14,972	(2,545)	(13,907)	6,545
University of Michigan Club of Mt. Clemens	11,912	29,344	(98)	(27,928)	13,230
Total alumni organizations	18,496	4		(500)	18,000
Total booster and alumni organizations	346,599	471,955	(33,944)	(413,258)	371,352
	\$ 621,092	\$ 1,041,082	\$ (86,387)	\$ (687,256)	\$ 888,531

(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 \$73,438 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 \$12,949 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	\$ 292,579
Tickets	126,814
Scholarships	87,371
Administrative expenses	63,749
Meetings	8,911
Other club activities*	<u>107,832</u>
Total expenditures not on behalf of Program	<u>\$ 687,256</u>

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

- (4) We obtained written confirmation of the financial activities presented in above directly from the booster and alumni organization officers or directors. We traced and agreed amounts to the rollforward presented above, and to the related general ledger of the Program. No exceptions were noted.
- (5) We reconciled all direct donations from the booster and alumni organizations to revenues recorded in the Program's general ledger without exception.
2. We obtained from the Program's management a Statement of Revenues and Expenses (the "Statement") submitted to the NCAA included in Attachment 1 for the year ended June 30, 2012. We obtained University prepared worksheets for each operating revenue and expense category on the Statement, which management stated are generated from its general ledger.
- We mathematically checked the totals and subtotals included on the Statement without exception.
 - We mathematically checked the totals and subtotals included in the University prepared worksheets without exception.
 - We agreed the amounts for each operating revenue and expense category included on the Statement to those in the University prepared worksheets observing reconciling items less than \$27,000. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained.
 - We agreed the amounts for each of the operating revenue and expense categories included on the University prepared worksheets to the University's general ledger observing reconciling items less than \$27,000. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained.
3. We obtained from Program management a listing of all contributions received by the University's athletics department during the year ended June 30, 2012.
- We mathematically checked the total dollar amount of the listing without exception.
 - We agreed the total dollar amount from the listing to the total dollar amount in the "Contributions" line item of the Statement without exception.
 - There were no contributions greater than ten percent of the total of all contributions received.
4. We obtained a detailed schedule of away game guarantees from management of the Program for the year ended June 30, 2012.
- We agreed the total on the detailed schedule to the general ledger without exception.
 - We mathematically checked the detailed schedule without exception.
 - We compared the total revenues for away game guarantees in the schedule to the corresponding amount in the Total column on the Statement without exception.
 - We selected 2 agreements from the detailed schedule and compared the guarantee revenue on the schedule provided by the Program to amounts specified in contracts or settlement reports. We agreed the revenues per the agreement to the detailed schedule without exception.

	<u>Exception (Yes/No)</u>
Men's basketball, December 10, 2011	No
Men's hockey, December 29 & 30, 2011	No

5. We obtained a detailed schedule of guarantee expenses for the year ended June 30, 2012.
- a. We agreed the total on the detailed schedule to the general ledger without exception.
 - b. We mathematically checked the total of the detailed schedule without exception.
 - c. We compared the total expenses for home game guarantees in the schedule provided by the Program to the corresponding amount in the Total column on the Statement.
 - d. We selected 6 guarantee expenses for home games from the detailed schedule and compared the guarantee expense on the schedule provided by the Program to amounts specified in contracts or settlement reports without exception.

Refer to schedule below for a listing of selections made and the results of testing.

	<u>Exception (Yes/No)</u>
Men's football, September 3, 2011	No
Men's football, September 10, 2011	No
Men's football, September 17, 2011	No
Men's football, September 24, 2011	No
Men's basketball, November 17, 2011	No
Men's hockey, November 25, 2011	No

6. We selected ten sports listed on the University's Athletic website, MGoBlue.com, and haphazardly selected one student-athlete from the squad list for each sport as of June 30, 2012.
- a. 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 without exception.
 - b. We observed the amount of financial aid the athlete received in the University's student financial aid system without exception.
 - c. We mathematically checked the amount of financial aid per the financial aid system and observed that it was less than or equal to the full Grant-in-Aid amount listed on the squad list without exception.

Refer to schedule below for a listing of selections made and the results of testing.

<u>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 hockey	No
Women's basketball	No
Women's gymnastics	No
Women's swimming	No
Women's tennis	No
Women's volleyball	No

7. We obtained a listing of coaches employed by the University for the year ended June 30, 2012.

- a. We compared the total expenses for coaches' salaries in the detailed listing to the Program's general ledger which was agreed to the corresponding amount in the Total column on the Statement without exception.
- b. We mathematically checked the total of the listing without exception.
- c. From the listing of coaches employed by the University, we haphazardly selected 11 coaches, including coaches for football, men's basketball and women's basketball. We agreed the coaches' salaries per the contracts or an equivalent such as a memorandum of understanding to the amounts recorded by the Program in the Statement. For any salaries 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.
- d. We obtained W-2's for the coaches selected and agreed the dollar amounts appearing in the W-2's for gross wages to the related expense in the detailed listing. For W-2 items that did not agree to the related expenses in the detailed listing 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.

	Exception (Yes/No)
Men's Hockey Head Coach	No
Men's Basketball Head Coach	No
Men's Football Head Coach	No
Men's Football Assistant Coach	No
Men's Football Assistant Coach	No
Women's Tennis Head Coach	No
Women's Field Hockey Head Coach	No
Women's Softball Head Coach	No
Men's Soccer Head Coach	No
Women's Basketball Head Coach	No

8. For coaches not employed under contract, we obtained a listing of coaches that received bonuses during the year. We haphazardly selected 5 coaches from the listing and recalculated the bonus 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 without exception.

Refer to schedule below for a listing of selections made and the results of testing.

	Exception (Yes/No)
Men's Wrestling Assistant Coach	No
Women's Rowing Assistant Coach	No
Men's Football Assistant Coach	No
Women's Volleyball Assistant Coach	No
Women's Field Hockey Assistant Coach	No

9. We obtained a listing of support staff for athletics and their salaries for the year ended June 30, 2012.
 - a. We compared and agreed the total expenses for support staff salaries in the detailed listing to the Program's general ledger and to the corresponding amount in the Total column on the Schedule without exception.
 - b. We mathematically checked the total of the listing without exception.

- c. From the listing of support staff employed by the University, we haphazardly selected 2 support staff. We agreed the support staffs' salary and bonus per the contracts or an equivalent such as a memorandum of understanding to the amounts recorded by the Program in the Statement. For any salaries 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.
- d. We obtained W-2's for the support staff selected and agreed the dollar amounts appearing in the W-2's for gross wages to the related expense in the detailed listing. For W-2 items that did not agree to the related expenses in the detailed listing 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.

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

- 10. We obtained from the Program's management a summary schedule of severance payments for the year ended June 30, 2012.
 - a. We mathematically checked the total of the detailed schedule without exception.
 - b. We agreed the total dollar amount of expense for severance to the corresponding amount in the line item "Severance Payments" included in the Statement.
 - c. We haphazardly selected 2 payments from the schedule obtained, and for each item selected, we obtained the related severance agreement from the Program's management. We agreed the total dollar amount of payments related to each agreement to the severance agreements.

Refer to the schedule for a listing of selections made and the results of the procedures performed.

	Exception (Yes/No)
Wrestling coach	No
Men's Football Director of Strength and Conditioning	No

- 11. We agreed the direct institutional support recognized in the Statement for the year ended June 30, 2012 to the general ledger without exception.
- 12. We compared the indirect institutional support recorded by the Program during the year ended June 30, 2012 to a summary schedule prepared by management. The summary schedule was agreed to the general ledger without exception. We mathematically checked the total indirect institutional expense for the period and agreed to management's worksheets without exception.
- 13. We obtained an understanding of the University's methodology for allocating indirect facilities and administrative support during the year ended June 30, 2012. We compared and agreed the indirect facilities and administrative support expense reported by the Program in the Statement to the corresponding revenue category reported by the Program in the Statement without exception. We mathematically checked the totals for indirect facilities and administrative support without exception.

14. We obtained from Program management the Program's recruiting and travel policies. We compared the index of the Program's policies to the NCAA policies to observe that the Program's policies included each of the following topics included in the NCAA policies: Travel Procedures, Vehicle Rentals, Mal Allowance, Hosting Recruits, Recruiting Travel, NCAA Travel, Entertainment, Banquet/Meal Expenses, and Gifts/Flowers/Awards without exception. We make no comment as to the appropriateness of the detailed policy.
15. We obtained representations from the Program's management that to the best of their knowledge and belief, all revenues and expenditures related to the Department of Athletics had been properly included in the Statement.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying statement of revenue and expenses of the Program as of June 30, 2012. 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 the University of Michigan and the National Collegiate Athletic Association, and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

December 21, 2012

The University of Michigan Department of Athletics
Schedule of Revenues and Expenses Submitted to NCAA
For the Year Ended June 30, 2012 (UNAUDITED)

Item	Football	Men's Basketball	Women's Basketball	Other Sports	Non- Program Specific	Total
Revenues						
Ticket Sales	\$ 46,447,979	\$ 3,358,017	\$ 74,779	\$ 2,488,927		\$ 52,369,702
Student Fees						-
Guarantees		75,000		149,822		224,822
Contributions	22,522,292	16,659	709	1,010,425	\$ 4,967,915	28,518,000
Compensation and Benefits Provided by a Third Party						-
Direct State or Other Government Support						-
Direct Institutional Support				2,431	13,505	15,936
Indirect Facilities and Administrative Support					242,949	242,949
NCAA/Conference Distributions including all tournament revenues	12,646,683	6,198,003	38,850	155,690	7,329,149	26,368,375
Broadcast, Television, Radio and Internet Rights						-
Program Sales, Concessions, Novelty Sales and Parking	2,566,725	196,470	22,318	227,735	1,072,097	4,085,345
Royalties, Licensing, Advertisements and Sponsorships					21,410,649	21,410,649
Sports Camp Revenues					249,365	249,365
Endowment and Invested Income	1,015,914	36,134	47,976	989,788	614,783	2,704,595
Other Operating Revenues	9,654			139,071	3,792,724	3,941,449
Total Operating Revenues	<u>85,209,247</u>	<u>9,880,283</u>	<u>184,632</u>	<u>5,163,889</u>	<u>39,693,136</u>	<u>140,131,187</u>
Expenses						
Athletic Student Aid	4,479,578	735,980	681,574	10,802,042	130,956	16,830,130
Guarantees	2,501,800	352,474	20,000	159,178		3,033,452
Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities	7,462,645	2,690,311	986,833	7,038,933		18,178,722
Coaching Other Compensation and Benefits Paid by a Third Party						-
Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities	1,298,930	428,231	232,860	529,520	18,383,924	20,873,465
Support Staff/Administrative Other Compensation and Benefits Paid by a Third Party						-
Severance Payments			36,366	138,721	618,837	793,924
Recruiting	493,464	198,928	127,655	788,723		1,608,770
Team Travel	1,839,707	715,592	462,458	4,806,760	76,476	7,900,993
Equipment, Uniforms and Supplies	864,551	120,568	79,550	1,560,518	1,666,501	4,291,688
Game Expenses	2,549,136	347,080	127,898	580,914	84,707	3,689,735
Fund Raising, Marketing and Promotion	103,172	47,689	10,406	222,230	2,720,545	3,104,042
Sports Camp Expenses						-
Direct Facilities, Maintenance and Rental					23,293,457	23,293,457
Spirit Groups					991,803	991,803
Indirect Facilities and Administrative Support					242,949	242,949
Medical Expenses and Medical Insurance					685,491	685,491
Memberships and Dues	3,732	585	799	16,404	202,874	224,394
Other Operating Expenses	2,043,622	295,999	132,416	1,230,804	5,754,331	9,457,172
Total Operating Expenses	<u>23,640,337</u>	<u>5,933,437</u>	<u>2,898,815</u>	<u>27,874,747</u>	<u>54,852,851</u>	<u>115,200,187</u>
Transfers to Institution					1,653,868	1,653,868
Total Expenses	<u>23,640,337</u>	<u>5,933,437</u>	<u>2,898,815</u>	<u>27,874,747</u>	<u>56,506,719</u>	<u>116,854,055</u>
Excess (Deficiencies) of Revenues Over (Under) Expenses	<u>\$ 61,568,910</u>	<u>\$ 3,946,846</u>	<u>\$ (2,714,183)</u>	<u>\$ (22,710,858)</u>	<u>\$ (16,813,583)</u>	<u>\$ 23,277,132</u>