

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

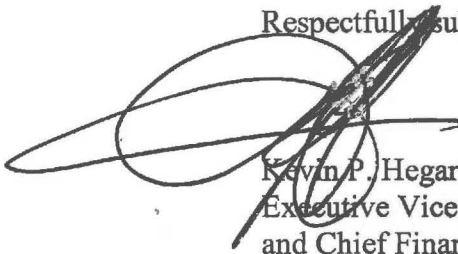
ITEM FOR INFORMATION

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, 2015

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, 2015. 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 3.2.4.15).

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President
and Chief Financial Officer

February 2016
attachment



Report of Independent Accountants

Dr. Mark S. Schlissel, President
University of Michigan

We have performed the procedures enumerated below, which were agreed to by Mark S. Schlissel, President of the University of Michigan (the "University"), solely to assist you in evaluating whether the accompanying statement of revenues and expenses and related notes of Intercollegiate Athletics of the University of Michigan (the "Program") for the year ended June 30, 2015 (the "Statement") is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.15 for the year ended June 30, 2015. 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.

As discussed in Appendix D to the "2015 Agreed upon Procedures" NCAA guidelines, if a specific reporting category is less than 0.5% of the total revenues or expenses, no procedures are required to be performed for that specific category, and no procedures were performed.

The procedures that we performed and our findings are as follows.

1. We obtained from Program management the accompanying statement of revenues and expenses for the year ended June 30, 2015. We obtained Program prepared worksheets for each operating revenue and expense category in the Statement, which management stated are generated from the University's general ledger.
 - a. We mathematically checked the totals and subtotals included on the Statement.
 - b. We mathematically checked the totals and subtotals included in the Program prepared worksheets.
 - c. We agreed the amounts for each operating revenue and expense category included on the Statement during the year ended June 30, 2015, to supporting schedules provided by Program management.
 - d. We agreed the amounts for each operating revenue and expense category included in the Program prepared worksheets to the University's general ledger.

No exceptions were noted as a result of performing these procedures.

2. We obtained from Program management the June 30, 2015 budget and the statement of revenues and expenses for the year ended June 30, 2014. We obtained the June 30, 2015 audited financial statements from Program management.
 - a. We compared the current year amounts of each operating revenue and expense category included in the audited financial statements to the current year budgeted amounts included in the budget obtained from Program management.



- b. We compared the prior year amounts included in the Statement to the prior year statement of revenues and expenses.
- c. For each major revenue account (greater than 10% of total revenues) with variances for either procedure a) or b) over the lesser of \$1,000,000 or 10% of total revenues, we obtained written explanations from management, as noted below. We make no comment as to the completeness or accuracy of those explanations.
- d. For each major expense account (greater than 10% of total expenses) with variances for either procedure a) or b) over the lesser of \$1,000,000 or 10% of total expenses, we obtained written explanations from management, as noted below. We make no comment as to the completeness or accuracy of those explanations.

Current Year Actual Versus Current Year Budget

- Spectator Admissions – Decreased \$6,715,424, or 15%, because of a 42% decrease in student season tickets in FY15 and the poorer than expected team performance reduced demand for single football game tickets.
- Gift Revenue – Decreased \$4,261,380, or 15%, compared to budget since this budget includes 20% of preferred seating donations which are reclassified to other income when the financial statements are prepared.
- Salaries and Wages – Increased \$5,387,753, or 12%, compared to budget due to increase in headcount, coaches' salaries/deferred compensation, severance for terminated coaches and annual salary increases of approximately 4%.

Current Year Actual Versus Prior Year Actual

- Ticket Sales – Decreased \$6,847,775, or 13%, compared to prior year because of a 42% decrease in student season tickets in FY15 and the poorer than expected team performance reduced demand for single football game tickets.
- Media Rights and NCAA Distributions/Conference Distributions including all tournament revenues - In FY14, Media Rights, NCAA Distributions and Conference Distributions (Non Media or Bowl) were combined. For FY15 the three categories combined add to \$32,272,049 compared to a FY14 total of \$29,272,753. The increase was forecasted by the Big Ten Conference and was primarily attributable to television rights and bowl distribution increases.
- Athletic Student Aid – Increased \$1,083,170, or 6%, due to tuition increases at the University year over year.
- Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities – Increased \$3,074,774, or 14%, due to contract compensation increases, annual merit pay increases for non-contract coaching staff, and increase in football staff compensation resulting from full football staff transition.
- Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities – Increased \$2,787,708, or 10% due to increases in head-count and annual salary increase program of approximately 4%.

No exceptions were noted as a result of performing these procedures.



3. We obtained from Program management a detailed listing of ticket office sales reports comprising ticket sales revenue for football, men's basketball and women's basketball, including tickets sold, complimentary tickets provided during the reporting period, and unsold tickets for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount and the total attendance figures of the detailed listing.
 - b. We agreed the total dollar amount of the detailed listing to the amount of ticket sales included in the Statement.
 - c. We obtained a reconciliation of football, men's basketball and women's basketball ticket sales which included reconciling items and a remaining unexplained difference of \$37,535 for football, \$9,594 for men's basketball and \$303 for women's basketball and we make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained.

No exceptions were noted as a result of performing these procedures.

4. Pursuant to Appendix D to the "2015 Agreed upon Procedures" NCAA guidelines, because Direct Institutional Support Revenues were less than 0.5% of the total revenues, no procedures were required to be performed and no procedures were performed.
5. Pursuant to Appendix D to the "2015 Agreed upon Procedures" NCAA guidelines, because Indirect Institutional Support Revenues were less than 0.5% of the total revenues, no procedures were required to be performed and no procedures were performed.
6. We obtained from Program management a detailed listing of settlement reports for away game guarantees for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount of the detailed listing.
 - b. We agreed the total dollar amount on the detailed schedule to the University's general ledger.
 - c. We agreed the total revenue for away game guarantees in the detailed listing to the corresponding amount in the revenue line item "Guarantees" included in the Statement.
 - d. We haphazardly selected three guarantee settlement reports for away games (Olympia Entertainment – Great Lakes Invitational 12/29/14, Intersport – Hockey at Soldier Field 2/7/15 and Olympia Ent – Michigan State University 1/30/15) for the year ended June 30, 2015 from the detailed listing and obtained the applicable contracts from Program management. We agreed the guarantee revenue on the settlement report to amounts specified in the contracts without exception.

No exceptions were noted as a result of performing these procedures.

7. We obtained from Program management a detailed listing of all contributions for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount of the detailed listing.



- b. We agreed the total dollar amount from the detailed listing to the total dollar amount in the line item "Contributions" included in the Statement.
- c. As no individual contributions were greater than ten percent of the total of all contributions received by the Program during the year ended June 30, 2015, no further procedures were conducted.

No exceptions were noted as a result of performing these procedures.

- 8. We obtained from Program management a detailed listing of in-kind contributions for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount of the detailed listing.
 - b. We agreed the total dollar amount from the detailed listing to the total dollar amount in the line item "In-Kind" included in the Statement.

No exceptions were noted as a result of performing these procedures.

- 9. We obtained from Program management a list of all the Program's booster group activities, for both independent and affiliated organizations (including alumni organizations), that have a principal purpose of generating funds for the Program, during the year ended June 30, 2015.
 - a. We obtained a rollforward of the cash balance for the year ended June 30, 2015 from Program management and mathematically checked the accuracy of the rollforward. See Appendix A.
 - b. For each organization on the listing (Graduate "M" Club, Dekers Blue Line Club, Bob Ufer Quarterbacks Club, U of M Diamond Club, Michigan Women's Athletic Ass'n, U of M Club of Ann Arbor, U of M Club of Greater Detroit – Operating Fund, U of M Club of Greater Detroit – Scholarship Fund, U of M Club of Greater Flint, U of M Club of Chicago, U of M Club of Grand Rapids, U of M Club of Northville, U of M Club of Toledo, and U of M Club of Mount Clemens), we mailed confirmations directly to the officials of each organization requesting they confirm the revenue and expense amounts included in the Statement.
 - c. We traced and agreed all amounts within the rollforward to the University's general ledger and the third party Disclosure Statement confirmations.
 - d. We obtained a list of contributions to or on behalf of the Program received by the University and reported by the booster and alumni organizations primarily for scholarships and support of specific intercollegiate sports. Additionally, we received a list of contributions related to expenditures incurred but not received by the University made for the benefit of athletes or the University's athletic department staff.
 - e. We obtained a list of expenditures not on behalf of the Program made by the booster or alumni organization for the purposes of the overall booster and alumni organization and not incurred for the benefit of the Program.
 - f. We obtained written confirmation of the financial activities presented in item (b) directly from the booster and alumni organization officers for those from which confirmations were received (Graduate "M" Club, Dekers Blue Line Club, Bob Ufer Quarterbacks Club, U of M Diamond Club, Michigan Women's Athletic Ass'n, U of M Club of Ann Arbor, U of M Club of Greater Detroit – Operating Fund, U of M Club of Greater Detroit – Scholarship Fund, U of M Club of Greater Flint, U of M Club of Chicago, U of M Club of Grand Rapids,



U of M Club of Northville, U of M Club of Toledo, and U of M Club of Mount Clemens). These amounts were traced and agreed to the financial report presented in (a) above, and to the University's general ledger.

- g. We obtained a reconciliation of all direct donations from the booster and alumni organizations to the University's general ledger.

No exceptions were noted as a result of performing this procedure.

- 10. We obtained from Program management a detailed listing of media rights (including broadcast, radio, and television) revenue for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount of the detailed listing.
 - b. We agreed the total dollar amount of the media rights in the detailed listing to the corresponding amount in the line item "Media Rights" included in the Statement.
 - c. We haphazardly selected a sample of five transactions (Big Ten TV Rights Fees – ESPN September 2014, Big Ten TV Rights Fees – ESPN October 2014, Big Ten TV Rights Fees – ESPN November 2014, Fox Rights 2015, and Big Ten TV Rights Fees – ESPN December 2014) from the detailed listing. For each such revenue transaction selected, we obtained the supporting contracts from Program management and agreed the dollar amounts in the supporting contracts to the amount per the detailed listing.

No exceptions were noted as a result of performing this procedure.

- 11. We obtained from Program management a detailed listing of revenue and expense for NCAA distributions for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount of the listing.
 - b. We agreed the total dollar amount from the listing to the corresponding amount in the line item "NCAA Distributions" included in the Statement.
 - c. We selected a sample of five transactions (Gate Revenue 5/11/15-Journal ID CR00633876, Women's Big10 Gymnastics-Journal ID CR00633829, Women's Basketball NIT-Journal ID CR00633829, Women's Rowing post season-Journal ID 0007406450 and Women's Swimming and Diving post season-Journal ID 0007275565) from the detailed listing and agreed the related amounts to supporting documentation.

No exceptions were noted as a result of performing this procedure.

- 12. We obtained from Program management a detailed listing of revenue from the University's participation in conference and other tournaments for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount of the detailed listing.
 - b. We agreed the total revenue for the University's participation in conference and other tournaments in the detailed listing to the corresponding amount in the line item "Conference Distributions" included in the Statement.
 - c. We haphazardly selected five transactions (Post Season conference distribution 8/13/14-Journal ID 0006536926, Post Season conference distribution 4/16/15-Journal ID 0007224206, Post Season conference distribution 4/17/15-Journal ID 0007224206, Post



Season conference distribution 6/15/15-Journal ID 0007406450, and Distributions Receivable at 6/30/15-Journal ID 0007430893) from the detailed listing and obtained the agreements from Program management. We agreed the revenue per the agreement to the detailed listing.

No exceptions were noted as a result of performing this procedure.

13. We obtained from Program management a detailed listing of revenue from program sales, concessions, novelty sales, and parking for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount of the detailed listing.
 - b. We agreed total revenue in the detailed listing to the corresponding amount in the line item "Program Sales, Concessions, Novelty Sales and Parking" included in the Statement.
 - c. We haphazardly selected five transactions (Concessions November 2014-Journal ID CR00582742, Football Parking 11/1/14-Journal ID CR00582726, Football Parking 11/22/14-Journal ID CR00582734, Football Programs 10/11/14-Journal ID CR00582712, and Football Programs 9/13/14-Journal ID CR00582697) from the detailed listing and obtained the supporting documents from Program management. We agreed the dollar amount of each selection to the applicable program sales, concessions, novelty sales, and parking receipt.

No exceptions were noted as a result of performing this procedure.

14. We obtained from Program management a detailed listing of all royalties, licensing, advertisements and sponsorship revenue for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount of the detailed listing.
 - b. We agreed total revenue in the detailed listing to the corresponding amount in the line item "Royalties, Licensing, Advertisements, and Sponsorships" included in the Statement.
 - c. We haphazardly selected a sample of five items (Collegiate Licensing Company royalty July 2014 to September 2014-Journal ID 0006760699, Collegiate Licensing Company royalty October 2014 to December 2014-Journal ID 0007015147, Collegiate Licensing Company royalty January 2015 to March 2015-Journal ID 0007288505, Adidas sponsorship-Journal ID CR00582706, and Adidas sponsorship-value-in-kind-Journal ID 0006775858) from the detailed listing and obtained the supporting documentation from Program management. We agreed the dollar amount of each selection to the applicable royalty, licensing, advertisement, and sponsorship agreements.

No exceptions were noted as a result of performing this procedure.

15. Pursuant to Appendix D to the "2015 Agreed upon Procedures" NCAA guidelines, because Sports Camp Revenues were less than 0.5% of the total revenues, no procedures were required to be performed and no procedures were performed.
16. We obtained from Program management a detailed listing of athletics restricted endowment and investments income for the year ended June 30, 2015.



- a. We mathematically checked the total dollar amount of the detailed listing.
- b. We agreed the total dollar amount of the detailed listing to the line item "Athletics Restricted Endowment and Investments Income" included in the Statement.
- c. We haphazardly selected five endowment accounts (Hoag Family Endowed Scholarship Fund for Men's Basketball, The Bilzin Family Football Scholarship Fund, John L. Skudlarick Scholarship Fund, Morris, Morris Scholarship Fund, and Lohr Family Women's Basketball Endowed Scholarship Fund) and obtained the endowment agreements from Program management. We compared the classification per the detailed listing to the related endowment agreements based on the existence or absence of donor-imposed restrictions.

No exceptions were noted as a result of performing this procedure.

17. We obtained from Program management a detailed listing of all revenue categories other than those tested elsewhere within these procedures that were over 0.5% of total revenues in the Statement for the year ended June 30, 2015. For the year ended June 30, 2015, Facilities Revenue and Ticket Handling Revenue were the only revenue categories that met this criteria.

- a. We mathematically checked the total dollar amount in the Facilities Revenue and Ticket Handling Revenue detailed listing.
- b. We agreed the total dollar amount of the detailed listing to the related line items included in the Statement.
- c. We haphazardly selected a sample of five transactions related to facilities revenue (Radrick Farms Golf Course annual passes-Journal ID CR02001953, July 2014 Radrick Farms golf fees-Journal ID CC00001088, Club Wolverine October 2014 pool rental-Journal ID CR00582707, Football Stadium tours July 7, 2014 and July 8, 2014-Journal ID CR00582668, and Radrick Farms golf fees August 2014-Journal ID CC00001153). We compared the dollar amount, name, transaction date, and description of payment of the revenue transaction from the detailed listing to the supporting documentation maintained by the Program.
- d. We selected four transactions related to ticket handling revenue (Football ticket service charges-Journal ID 0006648936, Men's basketball ticket service charges-Journal ID 0007051521, Hockey ticket service charges-Journal ID 0007051521, and Football ticket service charges-Journal ID 0007062876) from the detailed listing and obtained the related supporting documentation from Program management. Note, there were only 4 lines in total related to ticket handling revenue so we selected all transactions. We compared the dollar amount, name, transaction date, and description of payment of the revenue transaction from the detailed listing to the supporting documentation maintained by the Program.

No exceptions were noted as a result of performing this procedure.

18. We obtained from Program management a detailed listing of all student athletes who received Institutional Financial Aid for the year ended June 30, 2015.

- a. We mathematically checked the total dollar amount for each sport and the grand total of the detailed listing.



- b. We agreed the overall total dollar amount to the line item "Athletic Student Aid" included in the Statement. We obtained a reconciliation of athletic student aid which included reconciling items. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained.
- c. We obtained representations from Program management stating the University does not use the NCAA's Compliance Assistant Software to prepare athletic aid detail.
- d. We haphazardly selected 20% of the total student athletes from the detailed listing and obtained the related award letter from Program management.
 - i. We agreed the award dollar amount per the student's account detail to the dollar amount of the award in the related award letter.
 - ii. We agreed the student's information to the information reported in NCAA Membership Financial Reporting System including recalculating the conversion of the equivalency value to a full-time equivalency value.

Student Selection Number	Sport	Results of Testing
1	Men's Baseball	No exceptions
2	Men's Baseball	No exceptions
3	Men's Baseball	No exceptions
4	Men's Baseball	No exceptions
5	Men's Basketball	No exceptions
6	Men's Basketball	No exceptions
7	Men's Basketball	No exceptions
8	Women's Basketball	No exceptions
9	Women's Basketball	No exceptions
10	Women's Basketball	No exceptions
11	Women's Basketball	No exceptions
12	Women's Cross Country	No exceptions
13	Men's Cross Country	No exceptions
14	Women's Field Hockey	No exceptions
15	Women's Field Hockey	No exceptions
16	Women's Field Hockey	No exceptions
17	Men's Football	No exceptions
18	Men's Football	No exceptions
19	Men's Football	No exceptions
20	Men's Football	No exceptions
21	Men's Football	No exceptions
22	Men's Football	No exceptions
23	Men's Football	No exceptions
24	Men's Football	No exceptions
25	Men's Football	No exceptions
26	Men's Football	No exceptions
27	Men's Football	No exceptions
28	Men's Football	No exceptions
29	Men's Golf	No exceptions
30	Men's Golf	No exceptions



31	Women's Golf	No exceptions
32	Men's Gymnastics	No exceptions
33	Men's Gymnastics	No exceptions
34	Men's Gymnastics	No exceptions
35	Women's Gymnastics	No exceptions
36	Women's Gymnastics	No exceptions
37	Men's Ice Hockey	No exceptions
38	Men's Ice Hockey	No exceptions
39	Men's Ice Hockey	No exceptions
40	Men's Lacrosse	No exceptions
41	Men's Lacrosse	No exceptions
42	Men's Lacrosse	No exceptions
43	Men's Lacrosse	No exceptions
44	Men's Lacrosse	No exceptions
45	Men's Lacrosse	No exceptions
46	Men's Lacrosse	No exceptions
47	Women's Lacrosse	No exceptions
48	Women's Lacrosse	No exceptions
49	Women's Rowing	No exceptions
50	Women's Rowing	No exceptions
51	Women's Rowing	No exceptions
52	Women's Rowing	No exceptions
53	Women's Rowing	No exceptions
54	Men's Soccer	No exceptions
55	Men's Soccer	No exceptions
56	Men's Soccer	No exceptions
57	Men's Soccer	No exceptions
58	Men's Soccer	No exceptions
59	Men's Soccer	No exceptions
60	Women's Soccer	No exceptions
61	Women's Soccer	No exceptions
62	Women's Soccer	No exceptions
63	Women's Softball	No exceptions
64	Women's Softball	No exceptions
65	Women's Softball	No exceptions
66	Men's Swimming and Diving	No exceptions
67	Men's Swimming and Diving	No exceptions
68	Men's Swimming and Diving	No exceptions
69	Men's Swimming and Diving	No exceptions
70	Men's Swimming and Diving	No exceptions
71	Men's Swimming and Diving	No exceptions
72	Women's Swimming and Diving	No exceptions
73	Women's Swimming and Diving	No exceptions
74	Women's Swimming and Diving	No exceptions
75	Women's Swimming and Diving	No exceptions
76	Men's Tennis	No exceptions
77	Women's Tennis	No exceptions
78	Women's Tennis	No exceptions



79	Men's Track and Field (Indoor)	No exceptions
80	Women's Track and Field (Indoor)	No exceptions
81	Men's Track and Field (Outdoor)	No exceptions
82	Men's Track and Field (Outdoor)	No exceptions
83	Men's Track and Field (Outdoor)	No exceptions
84	Men's Track and Field (Outdoor)	No exceptions
85	Women's Track and Field (Outdoor)	No exceptions
86	Women's Track and Field (Outdoor)	No exceptions
87	Women's Track and Field (Outdoor)	No exceptions
88	Women's Track and Field (Outdoor)	No exceptions
89	Women's Track and Field (Outdoor)	No exceptions
90	Women's Volleyball	No exceptions
91	Women's Volleyball	No exceptions
92	Women's Volleyball	No exceptions
93	Women's Volleyball	No exceptions
94	Women's Volleyball	No exceptions

No exceptions were noted as a result of performing this procedure.

19. We obtained from Program management a detailed listing of home game guarantee expenses for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount of the detailed listing.
 - b. We agreed the total dollar amount of the expense for home game guarantees in the detailed listing to the corresponding amount in the expense line item "Guarantees" included in the Statement.
 - c. We haphazardly selected five home game guarantee expenses (Football-Appalachian State University 8/30/14, Football-Miami University 9/13/14, Football-University of Utah 9/20/14, Men's Basketball-Wayne State University 11/10/14 and Men's Basketball-Eastern Michigan University 12/9/14) from the detailed listing, obtained the related contracts and settlement reports from Program management, and agreed the dollar amount of the guarantee expense on the detailed schedule to the dollar amounts specified in the related contracts and settlement reports.

No exceptions were noted as a result of performing this procedure.

20. We obtained from Program management a detailed listing of all sports coaches employed by the University and their related salaries for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount of the detailed listing.
 - b. We agreed the total dollar amount of expense for coaches' salaries in the detailed listing to the corresponding amount in the line item "Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities" included in the Statement.
 - c. From the listing of sports coaches employed by the University, we selected the head coaches for football, men's basketball, and women's basketball, and we haphazardly selected seven of the remaining coaches (Assistant Football Coach-Offensive Coordinator, Football Assistant Coach-Defensive Line, Men's Basketball Assistant Coach, Men's



Basketball Assistant Coach, Men's Basketball Assistant Coach, Diving Coach, and Men's Lacrosse).

- d. We obtained a payroll summary register from Program management and agreed the payroll summary registers for the reporting year for each of the coaches selected to the related expenses in the detailed listing.
- e. We obtained from Program management the related employment contracts for each of the coaches selected. We agreed the coaches' salaries per the contracts to the amounts included in the detailed schedule within rounding differences less than \$217.

No exceptions were noted as a result of performing this procedure.

- 21. We obtained from Program management a detailed listing of all support staff, administrative salaries, benefits and bonuses paid for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount of the detailed listing.
 - b. We agreed the total expense for support staff salaries in the detailed listing to the amount in the line item "Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities" included in the Statement.
 - c. We haphazardly selected five support staff (Assistant Football Strength and Conditioning Coach, Football Assistant Equipment Manager, Executive Assistant to Head Football Coach, Men's and Women's Basketball Administrative Assistant and Women's Basketball Video Coordinator) paid by the University from the detailed listing.
 - d. We obtained and inspected the summary payroll register for each selection and agreed the recorded salary and bonus expense to the amount in the detailed listing and to the supporting documentation.

No exceptions were noted as a result of performing this procedure.

- 22. We obtained from Program management a detailed listing of severance payments for the year ended June 30, 2015.
 - a. We mathematically checked the total dollar amount of the detailed listing.
 - 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 half of the payments (Former Football Offensive Coordinator/Quarterbacks Coach, Former Football Offensive Line Coach, Former Football Head Coach, Former Football Safeties Coach, Former Football Analyst, Former Football Defensive Line Coach, Former Men's Head Tennis Coach and Former Football Director of Strength and Conditioning) from the detailed listing, and for each item selected, we obtained the related severance agreement from Program management. We agreed the total dollar amount of payments related to each agreement to the severance agreements.

No exceptions were noted as a result of performing this procedure.

- 23. We obtained from Program management a detailed listing of recruiting expenses for the year ended June 30, 2015.



- a. We mathematically checked the total dollar amount of the detailed listing.
- b. We agreed the total dollar amount of recruiting expense to the corresponding amount in the line item "Recruiting" included in the Statement.
- c. We obtained the University's recruiting policies from Program management. We compared the index of the University policies to the NCAA policies and found them to be in agreement. We make no comment as to the appropriateness of the detailed policy.

No exceptions were noted as a result of performing this procedure.

24. We obtained from Program management a detailed listing of team travel expenses for the year ended June 30, 2015.

- a. We mathematically checked the total dollar amount of the detailed listing.
- b. We agreed the total dollar amount of recruiting expense to the corresponding amount in the line item "Team Travel" included in the Statement.
- c. We obtained the University's team travel policies from Program management. We compared the index of the University policies to the NCAA policies and found them to be in agreement. We make no comment as to the appropriateness of the detailed policy.

No exceptions were noted as a result of performing this procedure.

25. We obtained from Program management a detailed listing of equipment, uniforms and supplies expense for the year ended June 30, 2015.

- a. We mathematically checked the total dollar amount of the detailed listing.
- b. We agreed the total dollar amount of equipment, uniforms and supplies expense to the corresponding amount in the line item "Equipment, Uniforms and Supplies" included in the Statement.
- c. We haphazardly selected five transactions (Rogers Athletic Company-Voucher 60542692, Douglas Protective Equipment-Voucher 49734229, STX LLC-Voucher 49804029, William Christopher Whitten Voucher C0313495 and REI-Voucher P2552344) from the detailed listing. For each item selected, we obtained the related supporting documentation from Program management. We compared the dollar amount, name, transaction date, and description of payment of the expense transaction from the detailed listing to the supporting documentation maintained by the Program.

No exceptions were noted as a result of performing this procedure.

26. We obtained from Program management a detailed listing of game expenses for the year ended June 30, 2015.

- a. We mathematically checked the total dollar amount of the detailed listing.
- b. We agreed the total dollar amount of game expense to the corresponding amount in the line item "Game Expenses" included in the Statement.
- c. We haphazardly selected five transactions (Housing Security-Voucher S4196159, Event Management-Voucher 49795842, Charter Township of Van Buren-Voucher P2543686,



Cottage Inn Pizza-Voucher P2552070 and Mercury Promotions-Voucher JUA0106562) from the detailed listing, and for each item selected, we obtained the related invoice, purchase order, and/or journal entry detail from Program management. We compared the dollar amount, name, transaction date, and description of payment of the expense transaction from the detailed listing to the supporting documentation maintained by the Program.

No exceptions were noted as a result of performing this procedure.

27. We obtained from Program management a detailed listing of fund raising, marketing, and promotion expense for the year ended June 30, 2015.
- We mathematically checked the total dollar amount of the detailed listing.
 - We agreed the total dollar amount of the expense to the corresponding amount in the line item "Fund Raising, Marketing, and Promotion" included in the Statement.
 - We haphazardly selected five transactions (Crossmedia Inc.-Voucher 49800989, Crossmedia Inc.-Voucher 49808687, Weldon Williams & Lick Incorporated-Voucher 60033149, Hobey Baker Memorial Award Foundation-Voucher 60642102 and Holiday Inn Hotel & Suites Voucher 60643123) from the detailed listing, and for each item selected, we obtained the related invoice from Program management. We compared the dollar amount, name, transaction date, and description of payment of the expense transaction from the detailed listing to the supporting invoice maintained by the Program.

Two exceptions were noted as a result of performing this procedure: Voucher 49800989 for \$2,500 and Voucher 49808687 for \$6,570 were both related to expenses incurred in the year ended June 30, 2014. These items were expensed in the year ended June 30, 2015 instead of the year ended June 30, 2014.

28. Pursuant to Appendix D to the "2015 Agreed upon Procedures" NCAA guidelines, because Sports Camp expenses were less than 0.5% of the total expenses, no procedures were required to be performed and no procedures were performed.
29. We obtained from Program management a detailed listing of spirit group expenses for the year ended June 30, 2015.
- We mathematically checked the total dollar amount of the detailed listing.
 - We agreed the total dollar amount of the expense to the corresponding amount in the line item "Spirit Groups" included in the Statement.
 - We haphazardly selected five transactions (Westin Hotel-Voucher P2565108, Jostens Incorporated-Voucher 60062894, All American Flags and Banners-Voucher P2519521, Microtel Inn and Suites-Voucher P2520817 and Jostens Incorporated-Voucher 60062894) from the detailed listing, and for each item selected, we obtained the supporting documentation from Program management. We compared the dollar amount, name, transaction date, and description of payment of the expense transaction from the detailed listing to the supporting invoice maintained by the Program.

No exceptions were noted as a result of performing this procedure.



30. We obtained from Program management repayment schedules for all athletic facility debt service, leases, and rental fees attributable as of June 30, 2015.
- a. We mathematically checked the total dollar amount of the repayment schedules.
 - b. We agreed the total debt outstanding as of June 30, 2015 appearing in the Notes to the Statement to the University's general ledger as of June 30, 2015.
 - c. We compared the annual maturities of debt to the underlying debt agreements or other supporting documentation obtained from the Program's management.
 - d. We compared the dollar amount, name, and transaction date for the top two highest facility payments (April 2015 payment-Journal ID 0007263026 and October 2014 payment-Journal ID 0006765256), to additional supporting documentation maintained by the Program.

No exceptions were noted as a result of performing this procedure.

31. We obtained from Program management a detailed listing of direct overhead and administrative expense for the year ended June 30, 2015.
- a. We mathematically checked the total dollar amount of the detailed listing.
 - b. We agreed the total dollar amount of the expense to the corresponding amount in the line item "Direct Overhead and Administrative Expense" included in the Statement.
 - c. We haphazardly selected five transactions (JNS Facility Management LLC-Voucher 60619434, Ann Arbor Rug & Carpet Cleaning-Voucher 49862211, JNS Facility Management LLC-Voucher 60210877, University of Michigan Recharge-Journal ID BOR000FY15 – February and University of Michigan Recharge-Journal ID BOR000FY15 – October) from the detailed listing, and for each item selected, we obtained the related supporting documentation from Program management. We compared the dollar amount, name, transaction date, and description of payment of the expense transaction from the detailed listing to the supporting documentation maintained by the Program.

No exceptions were noted as a result of performing this procedure.

32. Pursuant to Appendix D to the "2015 Agreed upon Procedures" NCAA guidelines, because medical expenses were less than 0.5% of the total expenses, no procedures were required to be performed and no procedures were performed.
33. Pursuant to Appendix D to the "2015 Agreed upon Procedures" NCAA guidelines, because membership and dues expenses were less than 0.5% of the total expenses, no procedures were required to be performed and no procedures were performed.
34. We obtained from Program management a detailed listing of other operating expenses and transfers to institution for the year ended June 30, 2015.
- a. We mathematically checked the total dollar amount of the detailed listing.



- b. We agreed the total dollar amount of the expense to the corresponding amount in the line item "Other Operating Expenses" included in the Statement. There were no transfers to the Institution.
- c. We haphazardly selected five transactions (College Gymnastics Association-Voucher 60152019, HHC Security-Voucher S4156943, 101 Best and Brightest-Voucher P2520148, Sodexo Inc.-Voucher 49823122 and Outback Steakhouse-Voucher 60540561) from the detailed listing, and for each item selected, we obtained the related supporting documentation from Program management. We compared the dollar amount, name, transaction date, and description of payment of the expense transaction from the detailed listing to the supporting documentation maintained by the Program.

No exceptions were noted as a result of performing this procedure.

- 35. Pursuant to Appendix D to the "2015 Agreed upon Procedures" NCAA guidelines, because no other expense category not specified above was over 0.5% of the total expenses, no procedures were required to be performed and no procedures were performed.
- 36. We obtained the listing of the sports sponsored reported in the NCAA Membership Financial Reporting System and agreed the listing to the squad lists obtained from Program management. No variances were identified between the NCAA Membership Financial Reporting System and the squad list provided by Program management.
- 37. We obtained representations from Program management that to the best of their knowledge and belief, revenues and expenses related to the Program 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 revenues and expenses of Intercollegiate Athletics of the University of Michigan for the year ended June 30, 2015. 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 is not intended to be and should not be used by anyone other than this specified party.

PricewaterhouseCoopers LLP

January 15, 2016

Intercollegiate Athletics of the University of Michigan
Statement of Revenues and Expenses
For the Year Ended June 30, 2016 (UNAUDITED)

Revenues	Item	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Ticket Sales		\$ 36,487,842	\$ 4,419,360	\$ 10,1947	\$ 9,049,573	\$ 147,929	\$ 46,422,881
Direct State or Other Government Support							-
Student Fees					8,296	4,207	7,143
Direct Institutional Support							-
Less - Transfers to Institutions							-
Indirect Institutional Support							670,020
Guarantees	300,000	2,083,700	10,877	370,020	264,201	264,201	3,962,578
Contributions	87,522,595	47,682	43,083	990,890	4,664,068	38,321,060	82,005,060
Other Revenues	184,602			174,810		121,879	522,005
By-Side							-
Compensation and Benefits Provided by a Third Party	13,668,685	8,171,747	11,962	169,726	6,679,287	22,599,589	984,406
Media Rights	-	9,416			800,922	984,406	8,77,754
NCAA Regulations							8,77,754
Conference Memberships (Plus Media or Bowl)	3,683,747	4,794,207	42,583	892,899	809,026	3,898,029	22,469,924
Programs, Events, Parking and Concession Sales	2,259,678	340,063			940,986	340,926	340,926
Legislative, Planning, Advancement and Sponsorships							
Sports Camp Revenues							
Athletes Restricted Movement and Investments Revenue	1,004,106	107,874	77,663	1,221,865	837,069	3,248,547	7,720,410
Other Operating Revenues		1,580		35,796			
Total Operating Revenues		\$8,451,835	\$4,192,569	\$287,105	\$5,172,895	\$44,579,132	\$39,477,106
Expenses							
Athlete Resident Aid							
Guarantees	4,698,976	906,298	758,183	13,457,226	475,968	20,647,941	3,962,578
Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities	3,100,000	683,122	53,000	195,250		84,758,667	-
Coaching Salaries, Benefits and Bonuses Paid by a Third Party	11,576,567	2,427,886	1,012,726	8,940,418			-
Support Staff/Administrative Compensation, Benefits and Bonuses Paid by the University and Related Entities	2,748,092	495,351	251,663	1,185,213	25,874,717	30,324,988	-
Revenue Payments	1,669,448			38,092	999,730	2,693,970	-
Marketing	759,337	278,372	159,246	1,087,262	168,108	2,414,191	8,671,768
Team Travel	759,444	898,061	608,122	6,267,973	1,709,399	4,735,264	4,735,264
Sports Equipment, Uniforms and Supplies	1,089,847	190,649	93,600	1,761,299	202,277	4,735,264	4,735,264
Game Expenses	2,297,611	490,243	206,985	662,421	202,277	4,735,264	4,735,264
Food, Lodging, Marketing and Promotion	363	621	777	3,667	2,209,206	2,209,206	2,209,206
Sports Camp Expenses							
Athlete Facilities Debt Service, Taxes and Rental Fee							
Direct Overhead and Administrative Expenses	87,087	16,234	13,418	125,765	13,411,000	13,411,000	13,411,000
Indirect Institutional Support							
Medical Expenses and Insurance							
Membership and Dues							
Other Operating Expenses							
Total Operating Expenses		\$5,266,415	\$2,484,138	\$3,338,282	\$5,019,224	\$2,545,389	\$11,144,064
Excess (Deficiency) of Revenues Over (Under) Expenses		\$ 3,185,417	\$ 1,708,431	\$ (3,051,177)	\$ (39,675,029)	\$ (38,813,576)	\$ 1,337,042

Intercollegiate Athletics of the University of Michigan Notes to the Statement of Revenues and Expenses

1. Summary of Presentation Policies

The amounts in the accompanying statement of revenues and expenses (the "Statement") of the Intercollegiate Athletics of the University of Michigan (the "Program") for the year ended June 30, 2015 were obtained from the University of Michigan's (the "University") general ledger, which is maintained on an accrual basis. The Statement represents activity of the Program's current funds, which includes investment income distributed from the Program's endowment funds. All revenues and expenses directly related to various sports were disclosed. All remaining revenues and expenses are non-program specific.

2. Other Sports

Other sports include baseball, men's and women's cross country, field hockey, softball, wrestling, men's and women's track and field, men's and women's golf, men's and women's gymnastics, men's ice hockey, men's and women's lacrosse, women's rowing, men's and women's soccer, men's and women's swimming and diving, men's and women's tennis, women's water polo and women's volleyball.

3. Contributions

Contributions included in the Statement represent private gifts received for other than capital and endowment purposes of the Program. The total contributions reported agrees to the private gifts received for other than capital and endowment purposes in the Program's audited financial statements, which are prepared in accordance with Governmental Accounting Standards Board principles. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift and nature of fundraising.

4. Athletic Student Aid

Athletic student aid awarded to non-athletes such as trainers, cheer team members and dance team members is reported as non-program specific expenses. Athletic student aid awarded to team student managers and graduate assistants is not material to the athletic student aid amounts and is included in the respective team column.

5. Property, Plant and Equipment

The Program's assets are accounted for consistent with the University's policies for property, plant and equipment. Additions to plant assets are capitalized, while maintenance and minor renovations are charged to operations. Capital assets are recorded at cost or, if donated, at appraised value at the date of donation. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets, which generally range from four to forty years. Depreciation expense is not reported in the statement of revenues and expenses.

Intercollegiate Athletics of the University of Michigan
Notes to the Statement of Revenues and Expenses

6. Long-term Debt

Notes payable to the University of Michigan for debt obligations totaled \$212,960,000 at June 30, 2015 and mature at various dates through fiscal 2042, in accordance with the payment schedule established by the University. The Program participates in the University's debt stabilization program and is charged interest at a composite fixed rate by the University based on available variable and fixed rate debt instruments. Periodically, the University reviews payments made under the fixed rate schedules as compared to actual interest payments made by the University to outside debt holders and may issue a reimbursement of excess interest paid. Fixed interest rates on debt obligations outstanding at June 30, 2015 range from 0.4 to 5.7 percent. Principal maturities and interest on long-term debt for the next five years and in subsequent five-year periods are as follows:

	Principal (in thousands)	Interest (in thousands)
2016	\$ 5,485	\$ 9,302
2017	5,730	9,060
2018	5,615	8,584
2019	6,040	8,350
2020	6,165	8,120
2021-2025	35,155	36,664
2026-2030	43,630	28,829
2031-2035	53,860	18,668
2036-2040	45,470	6,134
2041-2042	5,810	353
	<u>\$ 212,960</u>	<u>\$ 134,064</u>

Appendix A
Booster and Alumni Organizations

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	\$ 300,063	\$ 130,101	\$ (50,000)	\$ (118,763)	\$ 261,401
Dekers Blue Line Club	4,753	512	(144)	(1,678)	3,443
Bob Ufer Quarterbacks Club	4,491	54,897	(5,600)	(45,088)	8,700
University of Michigan Diamond Club	54,477	97	-	(62)	54,512
Michigan Women's Athletic Association	86,362	15,677	(7,100)	(10,716)	84,223
University of Michigan Club of Ann Arbor	31,141	27,531	(7,595)	(27,153)	23,924
Total booster organizations	481,287	228,815	(70,439)	(203,460)	436,203
Alumni Organizations:					
University of Michigan Club of Greater Detroit:					
Operating Fund	87,495	204,681	(6,740)	(233,759)	51,677
Scholarship Fund	93,266	3,063	-	-	96,329
	180,761	207,744	(6,740)	(233,759)	148,006
University of Michigan Club of Greater Flint	33,392	74,462	(15,422)	(58,584)	33,848
University of Michigan Club of Chicago	113,876	44,049	-	(55,092)	102,833
University of Michigan Club of Grand Rapids	9,335	18,072	-	(18,004)	9,403
University of Michigan Club of Northville	5,008	18,706	-	(17,810)	5,904
University of Michigan Club of Toledo	15,738	12,513	(16)	(19,374)	8,861
University of Michigan Club of Mt. Clemens	17,505	1	-	-	17,506
Total alumni organizations	375,615	375,547	(22,178)	(402,623)	326,361
Total booster and alumni organizations	\$ 856,902	\$ 604,362	\$ (92,617)	\$ (606,083)	\$ 762,564

- (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 Alumni Association of the University of Michigan whose overall alumni activities include support to the Program.
- (2) Contributions to or on behalf of the Program include \$88,154 of direct donations received by the University for the Program and reported by the booster and alumni organizations primarily for scholarships and support of specific intercollegiate sports. Contributions also include \$4,463 of expenditures incurred but not received by the University, 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	\$ 252,711
Scholarships	90,499
Tickets	145,871
Administrative expenses	63,345
Meetings	13,489
Other club activities*	40,168
Total expenditures not on behalf of Program	<u>\$ 606,083</u>

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