

## NACUBO – NCAA Webcast Q&A

### Questions submitted during September 2005 NACUBO-NCAA Webcast, “Intercollegiate Athletics Financial reporting,” and answered during the program or subsequently by NCAA.

- Q: We are a firm engaged to perform the agreed upon procedures for a DII school. Are we required to perform procedures on each line item on the statement of revenues and expenses or can we apply a materiality threshold?
- A: Judgment is going to be required in determining the level of detail to be performed regarding sample size, minimum procedures, what is significant and the work to be done on outside organizations. Upon approval of the institution, the minimum agreed-upon procedures performed may be tailored by the independent accountant based upon the specific areas of significance to the institution. The institution should keep the objective of the minimum agreed-upon procedures in mind when determining the sufficiency of the procedures to be performed.
- Q: Are you suggesting that the EADA and NCAA report should be the same? For instance, we did not previously separate Coach's Salary from the Sports Camp for the EADA Report.
- Q: Do the numbers in the EADA report need to exactly match the numbers in the NCAA financial report?
- A: The EADA output on the NCAA online revenues and expenses system will provide the reporting lines necessary for Department of Education reporting. It is expected that there will be some differences between the two reports.
- Q: Just to verify, we need to report ALL Revenue & Expense, that is, we should not NET items: for example, we would have Bowl Revenue of \$1.2 M and Expenses of 900 K ... so we should not report the NET amount?
- A: Whenever possible, provide revenues in the revenues section of the report and expenses in the appropriate expense line item.
- Q: The Auditors need to verify w-2 information...which is on a calendar year basis and not on a fiscal year basis for this report.
- A: You may use either a calendar year basis or a fiscal year basis as long as you are consistent year to year.
- Q: Should the agreed upon procedure report cover three years or does the report only need to be issued once every three years covering a one year period?
- A: For Division II institutions, an agreed-upon procedures report is to be issued once every three years on a single year's information.
- Q: How do we exactly determine the FTE of part-time coaches, student assistants and graduate assistants?
- A: There are a few ways that an institution can use to calculate the FTE. (1) Use the length of the sport's season and compare with the calendar year. If a sport is four months in length, the

FTE would then be .33. (2) Look at the amount of time a coach spends coaching and compare that with a full-time position. (3) This is probably the most accurate and consistent way. Take the salary that you are paying the individual for coaching and relate that to what a full-time salary would be. For example, if you are paying a coach \$5,000 and a full-time salary would be \$20,000, the FTE would be .25.

- Q: If we rely upon Internal Audits ticket sale audit, must an external auditor perform the minimum agreed upon procedures for revenue category 1?
- Q: Can Division I schools rely on the work of internal auditors for the agreed upon procedures?
- Q: The NCAA mentioned use of the internal auditor for the agreed-upon procedures. Are the internal auditors considered independent by the new guidance?
- Q: Did you say that internal auditors can perform the agreed upon procedures for Division 2 and 3 but not division 1?
- Q: In the past, internal auditors were allowed to audit the data submission and be in compliance with the NCAA. Does an independent audit firm now have to do the audit to be in compliance? We are a Div II institution and only require an audit every three years.
- A: Internal auditors may prepare schedules and accumulate data or provide other information for the independent accountant's use in performing the agreed-upon procedures. Accordingly, independent accountants may use work performed by internal auditors. However, it would be inappropriate for the independent accountant to agree to merely read the internal auditors' report solely to describe or repeat the findings, take responsibility for all or a portion of any procedures performed by the internal auditors by reporting those findings as the practitioner's own, or report in any manner that implies shared responsibility for the procedures with the internal auditors. This applies to both Divisions I and II. Division III is not required to have a separate review of the athletics budget if it is included in their institutional audit.
- Q: If survey is complete prior to January (i.e.: November 1) can we submit the NCAA survey at that point?
- A: Yes.
- Q: Can you explain further and give examples of the non-athletes athletics student aid?
- A: Athletics aid awarded to non-athletes (student-managers, graduate assistants, trainers) may be reported as Not Related to a Specific Sport.
- Q: On EADA Item 33 - Medical Expenses and Medical Insurance: Are we to include only medical expenses NOT paid by our insurance company for student athlete claims in addition to the medical insurance premium paid by the Department for the policy?
- A: Include medical expenses and medical insurance premiums paid by the athletics department on behalf of student-athletes. Do not include medical expenses paid through insurance claims.
- Q: What about pledges? How should they be reported?
- A: A pledge is a promise to contribute money or assets. They should be reported in the year in which contributions were received by the athletics department.

- Q: The NCAA noted that the January 15 was set to allow for completion of the institution's annual audit. What is the result when the annual audit is not completed by that deadline? In essence, the agreed-upon procedures will not build upon the annual audit.
- A: The date of the submission to the NCAA via the online system was changed from November 15<sup>th</sup> to January 15<sup>th</sup>. The intent is that the agreed-upon procedures report be completed by January 15<sup>th</sup> so that the revenues and expenses information submitted to the NCAA via the online system could tie to the agreed-upon procedures report in future years.
- Q: Last year there were thresholds for miscellaneous revenue and expense under NCAA requirements (I believe no more than 10% of expenses were to be classified as miscellaneous). Our institution had reviewed its classification at great length and still exceeds the 10%.
- A: We hope that the additional expense categories provided this year (“Medical Expenses and Medical Insurance”; and “Memberships and Dues”) will reduce the amount of items being reported in “Other Operating Expenses.” However, if your institution still exceeds the 10% threshold in expenses, we have provided a comments section to list the top three categories included in “Other Operating Expenses.” We will use this information to determine if other expense categories should be added to the report.
- Q: Is compensation provided by a third party but not guaranteed by contract to be reported?
- Q: Under 3rd party support the definition says contractually guaranteed by the institution. If a coach has a contract with a clothing company outside of his employment contract do we need to include this in third party support?
- Q: Payments by third party - 'contractually guaranteed' - does this mean only items related to their coaching duties? For example, various campus units solicit volunteers to participate in various studies. I would assume these latter items would not be included.
- A: Include the payments if they are contractually guaranteed through their contract with the athletics department or if it is included in their W-2 or 1099.
- Q: If coaching compensation is paid out of a Foundation, is it reportable for NCAA purposes?
- A: Yes. Report the coaching compensation under category 19 “Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities.” Foundations and booster clubs are considered related entities.
- Q: Are 'student athlete opportunity fund' monies provided to athletes to be considered 'student aid'?
- A: If the monies are used for summer tuition, fees, room and board or required course-related books, then it should be included in athletics aid. If the monies are used for another purpose, please attempt to include it in the appropriate line item “medical expenses” or “other operating expenses”.
- Q: Did I hear you say that indirect costs have to be broken down by sport?
- A: You do not have to report the indirect costs by sport. If you have that information available, it would be great, but otherwise, you can simply put the lump sum in the “unallocated by sport or gender” column.

- Q: Should revenues from concessions sold at summer camps be recorded as concessions or summer camp revenues?
- A: Concessions revenue would appear to be the appropriate line item. But, an institution would have some discretion as long as they are consistent with the reporting from year to year.
- Q: Where can more info on the agreed upon procedures be found?
- Q: Please provide the link to the updated financial agreed upon procedures.
- Q: What website has the minimum agreed upon procedures requirements?
- Q: What written references are available to provide guidance for the preparation of the NCAA Report?
- Q: Are there archive of procedures somewhere?
- A: The following link includes the agreed-upon procedures document. It is the fourth bullet on the page.  
[http://www1.ncaa.org/membership/ed\\_outreach/eada/index](http://www1.ncaa.org/membership/ed_outreach/eada/index)
- Q: Does the Fund Raising, Marketing expense area include salaries, and other expense?
- Q: Line 28, Fund Raising. Should salaries of development officers be reported as fund raising or as salaries Line 21? Same question applies to other lines.
- A: Salaries for non-coaches should be included in Support Staff/Administrative Salaries.
- Q: Do all of the revenues and expenses in the Foundation accounts need to be reported in the NCAA online reporting system?
- A: Any revenues and expenses that are on behalf of the athletics department's intercollegiate programs should be included.
- Q: Can the external audit happen in the 3rd year? The regulations say every 3 years--and my assumption is that we can begin in year 3 for Div II?
- Q: For division 2 schools, when during the 3 year cycle is the first agreed upon procedures report due?
- Q: Division II Institution - Once every three years does that mean either January 15, 2006 or 2007 or 2008? We select one of these?
- Q: Division II is required once every three years. Does this mean the first year it is required will be due by 1-15-08?
- Q: For a division II school, when is the first time the agreed upon procedures audit report is required?
- Q: For Division II schools, does the January 2006 implementation date apply to the initial filing or does it begin the first 3 year cycle in which compliance must be achieved?
- A: You may have the agreed-upon procedures performed for the 2005, 2006 or 2007 fiscal year information dependent on your existing three-year cycle. Subsequently, it should be performed once every three years. It is important to note that you may not initiate a new three year cycle. Initiating a new cycle could effectively lead to performing agreed-upon procedures five years subsequent to the last review.
- Q: Why are fund balances excluded from reporting?

A: The reporting is intended to capture operating revenues and expenses as opposed to balance sheet items.

Q: Do you foresee consolidating the filing deadlines for both the EADA and Revenue/Expenditures?

Q: Is there an ongoing effort to synchronize the dates of the EADA report and the NCAA report?

A: While it is our intent to align the information filing dates, our effort to date has been unsuccessful. We will continue to work with the Department of Education to synchronize the dates.

Q: How do you account for ticket revenue when a pass (ticket) will get you in to several different sports?

A: If possible, allocate the revenue among the sports that the pass will cover. If unable to do so, put the lump revenue amount in the “unallocated by sport or gender” column.

Q: How many institutions close the books on 30 September?

A: Unfortunately, we are unable to answer this question as this information is not submitted to the NCAA.

Q: How is depreciation expense reported for state owned equipment? (Not owned by Athletics but used by Athletics?)

A: If the depreciation expense is charged to athletics, then include it in Direct Facilities, Maintenance and Rental. If it is not charged to athletics, then you may include it in Indirect Facilities and Administrative Support.

Q: EADA Report: I am still unclear. Should salaries be included on the REVENUES and EXPENSES pages?

A: Salaries should be reported in expenses in categories #19, 20, 21 or 22. However, if funds are received from a third party for salaries, it should also be included in revenue category #5.

Q: There are several changes to agreed upon procedures that I learned of when I downloaded this report several weeks ago. My audit was completed two months ago. What do I do about numbers not matching on the external audit and NCAA submission?

A: You should provide a reconciliation of the differences to the CEO who will be reviewing both reports.

Q: As a D-III school, the agreed upon submission plan would be the VP of Finance and the individual performing the report-in other words, the AD and Asst AD.

A: The agreed-upon procedures report is not required for Division III institutions if the institution’s intercollegiate athletics program is subject to the institution’s regular annual financial audit. In particular, additional revenue and expenses associated with affiliated and outside groups or individuals shall be included in this audit. No agreed-upon procedures report is required. The revenues and expenses information that is to be submitted online to the NCAA by January 15<sup>th</sup> is to be reviewed by the CEO.

- Q: With such a broad definition for indirect institutional support, is there a concern that this category will skew the comparability of the reports?
- A: There was inconsistent reporting prior to this category being included; the intent is to at least have everyone working off of the same description.
- Q: Income category #15 (other) suggests to 'reclassify' revenue to an appropriate category if over 5%. What if this revenue does not fit any other category, such as parking revenue?
- A: Please review all items included in "other" to make sure none of them would be more appropriate in another line. If not, there is no choice but to exceed the 5% recommended threshold.
- Q: We have coaches with leased cars that are being charged entirely to Recruiting. Since we can only recruit for so many months per year, do we have to reallocate a portion of this cost?
- A: Correct, if the expense is not truly "recruiting", then it should be reclassified. You may want to check with your business office to determine if the amount should be reclassified to benefits for those coaches.
- Q: Indirect University Support 32-Lists categories the institution may include, is it the institutions choice which categories to include?
- A: It is recommended that you consult with your business office to determine an appropriate allocation of Indirect Facilities and Administrative Support.
- Q: For those of us with non-NCAA sports such as Polo or Heavyweight Rowing, how should we include that data in your report? The EADA does include it. We currently treat them as two completely different reports.
- A: They should be reported as "other".
- Q: Other than 'judgment' what means may be used in determining if the minimum agreed upon procedures requirements are being followed?
- A: Consultation with the independent accountants, the business office and the compliance officer are recommended.
- Q: What's the average time the external auditor should spend at the institution's athletic department in order to do a complete process under the new procedures?
- A: Because every institution is different, there is no set time needed to complete the review. Again, we recommend coordination with the independent accountant, the business office and the athletics business officer to determine the appropriate amount of detail to be reviewed.
- Q: Under Compensation and Benefits provided by a third party... What is meant by 'contractually guaranteed by the institution to athletics department employees'? Please provide examples of situations above when it is contractually guaranteed and not contractually guaranteed.
- A: Some employment contracts have provided income from sports camps or product sponsorships included in them. Those amounts should be reported in the report.

- Q: We have a professor who also is a coach, but his salary was not paid by the Athletic dept. Do we need to reallocate a portion of his salary to Athletics?
- A: If the salary is contractually guaranteed or dependent upon the coaching position, the expense should be included.
- Q: Do we have to have agreed upon procedures for the information submitted to the EADA? If no, what is the reference referring to in the participation agreement that the information submitted to the EADA must be audited every three years.
- A: No, you do not have to have agreed upon procedures performed for the EADA information.
- Q: We currently are in the probationary period for Div 3 status. I assume the College is exempt from financial data submission until full status is achieved.
- A: That is correct. Active members of the NCAA should be submitting the revenues and expenses information annually.
- Q: Item 13 - Sports Camp Revenues: Our fiscal reporting year ends June 30, and our athletic camps are operated over two fiscal years. Do you want all camps from 2004 reported on the 2005 report or only that portion of camps conducted after July 1, 2004?
- A: Appropriate accounting cut-off should be used for reporting. It is most important to be consistent from year-to-year.
- Q: For private institutions, what revenue category is appropriate for release of prior year net assets?
- A: Report these funds in either contributions or other. We will work toward a more consistent approach for this information for the 2006 fiscal year.
- Q: What are the potential consequences of differences in financial reports made to the EADA and NCAA? Can revisions be made to the EADA reports if they are identified while preparing the NCAA reports?
- A: There is no official comparison made between the two reports. The institution would have to contact the Department of Education regarding any requests to change their EADA report.
- Q: Is there a sample general ledger that can be shared that will delineate the method to capture the categories requested?
- A: Please see the revenues and expenses included in the agreed-upon procedures document.
- Q: Is there a listserv or some resource we might be able to have access to obtain advice on NCAA compliance issues?
- A: Please be sure to contact your compliance officer. You may also contact the national office Membership Services group at 317/917-6003.
- Q: How do the agreed-upon procedures relate to an institution whose athletic department already receives an independent financial statement audit? Will there be two separate reports?
- A: Because the agreed-upon procedures are not expected to be as extensive as an audit, it would be expected that the audit could take the place of the agreed-upon procedures as long as the report and findings are issued to the CEO.

- Q: Is my understanding correct that even though the EADA and NCAA reports are due on October 31st and January 15th, respectively, we still need to have these reports in essence complete for public disclosure by October 15th?
- A: Correct, the Department of Education requires that the information be available for the public on October 15<sup>th</sup>. The agreed upon procedures report and submission to the NCAA are due on January 15<sup>th</sup>.
- Q: Do we have access to start working on the NCAA report? If so, where do we find on NCAA website. Since the EADA report is more of a summary report, I would like to do the NCAA report first since this is a more detailed report.
- A: The login to the NCAA reporting system is the second bullet at the following link: [http://www1.ncaa.org/membership/ed\\_outreach/eada/index](http://www1.ncaa.org/membership/ed_outreach/eada/index)
- Q: Where do the expenses for hosting an NCAA event go on the NCAA report? 'Other expenses' not attributed to a specific sport, nor should they be under the sport that was hosted?
- A: Report the expenses in their appropriate lines such as game expenses under the sport that was hosted.
- Q: Explain reporting requirements with respect to student earnings. What distinctions, if any, need to be made in reporting on student financial aid for non-athletes (i.e. managers, statisticians, public information assistants, etc)?
- A: Student earnings should be reported as Support Staff/Administrative Salaries. However, student aid for tuition, books, etc. should be reported under Athletics Student Aid Not Related to a Specific Sport.
- Q: If we can identify a GA, team manager etc. who is receiving athletics financial aid to a specific sport, should the aid still be reported in 'expenses not related to specific teams'?
- A: Yes, because this type of aid is not student-athlete aid, it needs to be reported as Not Related to a Specific Sport.
- Q: We have heard of a Gender Equity Survey for Athletics departments. Is this an NCAA or EADA requirement?
- A: The NCAA does have a gender equity survey for the athletics department which gathers data on the gender and ethnicity of the athletics department staff and coaches.
- Q: How do you treat the salaries and benefits of employees not directly included in the athletic department, but directly impact the athletic department. An example would be an employee housed in the University Relations Department.
- A: We would expect a portion of the salary to be included in the revenue category #8 – Indirect Facilities and Administrative Support and the expense category #32 - Indirect Facilities and Administrative Support.

Q: To what degree, if any, do student financial aid officers need to be involved in planning and coordinating efforts for financial reporting, in division III. (They were excluded in the examples earlier today.)

A: Anyone who may have knowledge of the revenues and expenses of the athletics department is encouraged to participate.

Q: With regard to the FTE question on coaches, should I report a coach who is hired 3/4 time, their exact salary or their FTE salary?

A: You would report their FTE salary (3/4 of their full pay).

Q: Slide 27 referred to spirit groups were renamed. Are we required to include spirit groups in athletic reporting, or is this at the discretion of the university?

A: If the athletics department provides financial support to the spirit groups, then those expenses should be included in category 31.

Q: Does the EADA report require the signature of the President of the University.

Q: Is the President required to sign / approve the EADA submission?

A: No, the EADA report is an online submission that does not require the President's signature. The online submission to the NCAA of revenues and expenses requires the CEO to submit the form. The agreed-upon procedures report will be issued to the CEO.

Q: How can we require a separate 501c3 entity to include its activities in the report as OSU suggests? Does the NCAA agree with that assumption?

A: Any entity that has revenues and expenses on behalf of the athletic department should be required by the institution to share that information with the athletics department.

Q: Are gains on an endowment funds included in Endowment & Investment Income?

A: Yes.

Q: If the coach receives amounts in excess of his guaranteed amount (i.e. for outside speaking) does his guarantee get reported or the total amount earned?

A: The total amount earned should be reported.

Q: What about non-interest loans to an athletic director? How would we report that?

A: Any benefit to the athletic director should be included on the report. Please discuss with the business office or payroll administrator the benefits received.

Q: Do the NCAA Agreed upon Procedures include Campus Recreation programs (including intramural sports) or just intercollegiate sports?

A: Just intercollegiate sports should be included in the agreed-upon procedures.

Q: Do we report NCAA special assistance fund and student athlete opportunity fund activity?

A: Yes, include the funds received under revenue category #9 – NCAA/Conference Distribution Including All Tournament Revenues and report the expense under the appropriate expense line item (athletics aid, medical expenses, etc.).

Q: You made mention that Contribution Revenue is recorded in the year received. Will that be the same for the NCAA/Conference Distributions?

A: Yes.

Q: I am confused as to how to claim donations received by a Foundation for a public school. I believe I have heard that you do not claim it until the Athletic dept has received, but then I also heard that when the Foundation receives it.

A: It should be reported in the year that the athletics department has access to the funds for use.

Q: Net fund raising revenues are not spent for current year athletic expenses and are retained for future years. When do you record the revenue?

A: Funds received by the athletic department should be recorded in the year they are received by the athletic department.

Q: Where would you recommend we allocate recreational athletics expenses (club sports, intramurals) and revenue (recreational membership permit sales) if that's part of our athletic budget?

A: The EADA report is for varsity sports only.