

NCAA Agreed Upon Procedures Update

The Why, What, When, and How

August 19, 2020

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Create Opportunities

Disclaimers

The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting, or tax advice or opinion provided by CliftonLarsonAllen LLP to the user. The user also is cautioned that this material may not be applicable to, or suitable for, the user's specific circumstances or needs, and may require consideration of non-tax and other tax factors if any action is to be contemplated. The user should contact his or her CliftonLarsonAllen LLP or other tax professional prior to taking any action based upon this information. CliftonLarsonAllen LLP assumes no obligation to inform the user of any changes in tax laws or other factors that could affect the information contained herein.



Speakers



Jean Bushong, CPA

Principal, Higher Education



David Lafiosca

*Managing Director, Financial
Operations and Controller at NCAA*



Liz Towne, CPA

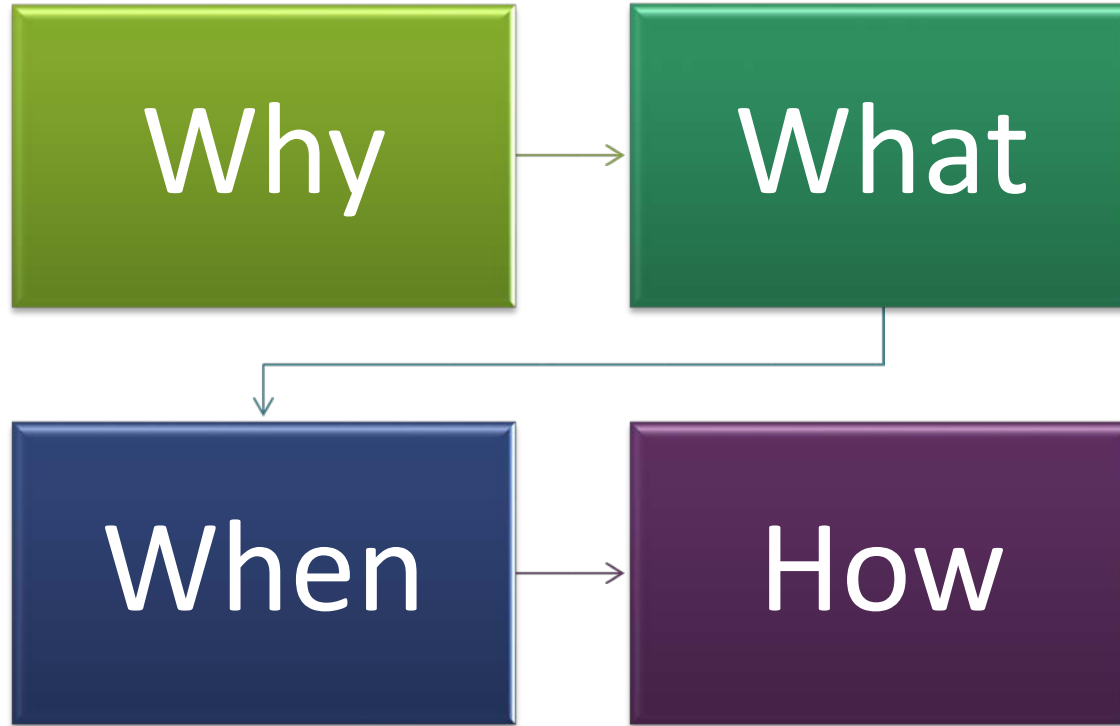
Manager, Higher Education



Aaron Crall, CPA

Principal, Higher Education

NCAA Agreed Upon Procedures Update



Learning Objectives

At the end of this session, you will be able to:

Review the annual NCAA reporting requirements

Review the upcoming changes to the NCAA procedures

Identify best practices for performing the annual reporting

Identify best practices for preparing for agreed upon procedures

Agenda

Why NCAA Reporting is Important

- Background and the Why

NCAA Reporting Requirements and Definitions

NCAA Agreed Upon Procedures

Best Practices



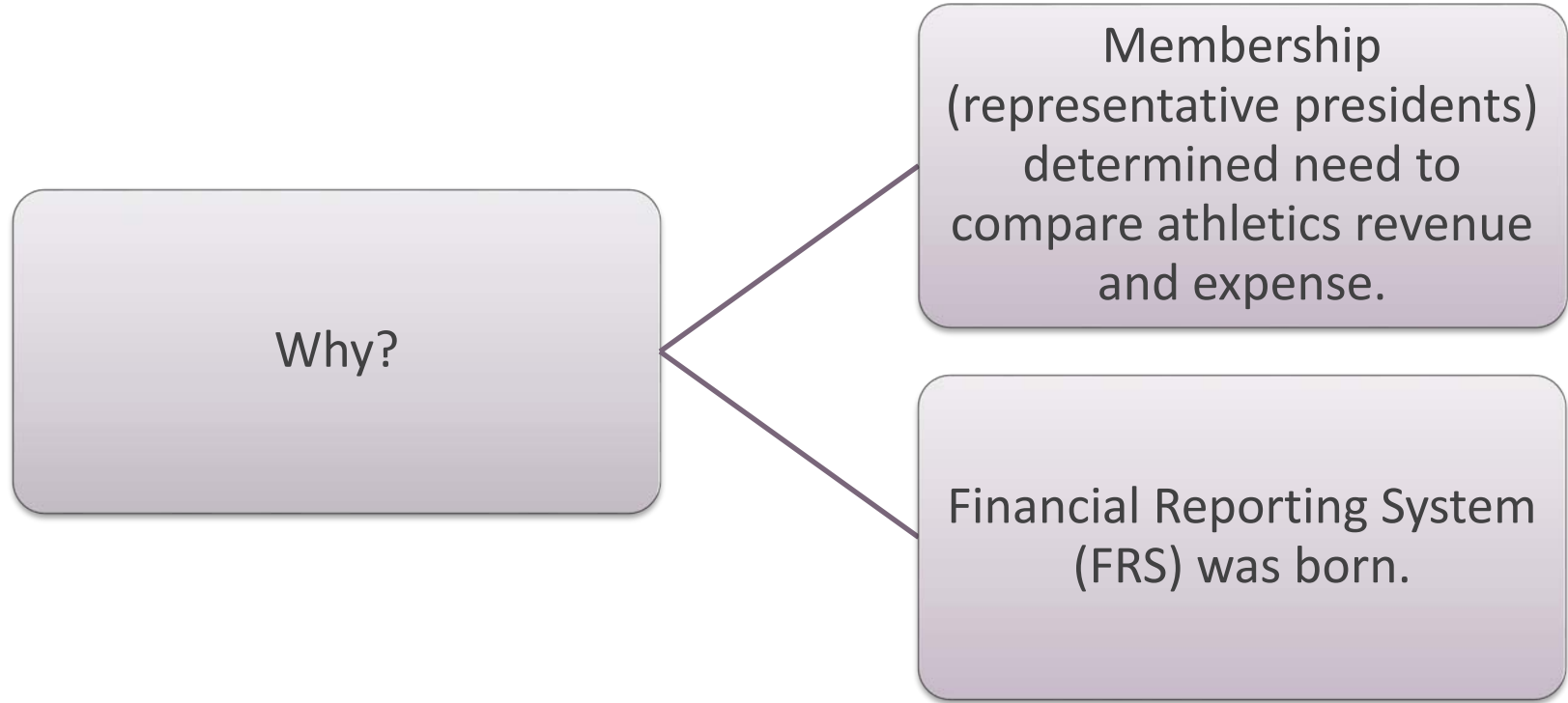
Why NCAA Reporting is Important

Background and the Why

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Background of NCAA Reporting Requirements



Background of NCAA Reporting Requirements

1. Member institutions wanted to compare information.



Presidents determined institutions to submit financial information.

How do we best compare institutions in such a diverse membership?



Each year, better and better feedback.

Result = Refined reporting requirements.



Institutional Performance Program.

Allows membership to look at comparative results; informs many decisions.

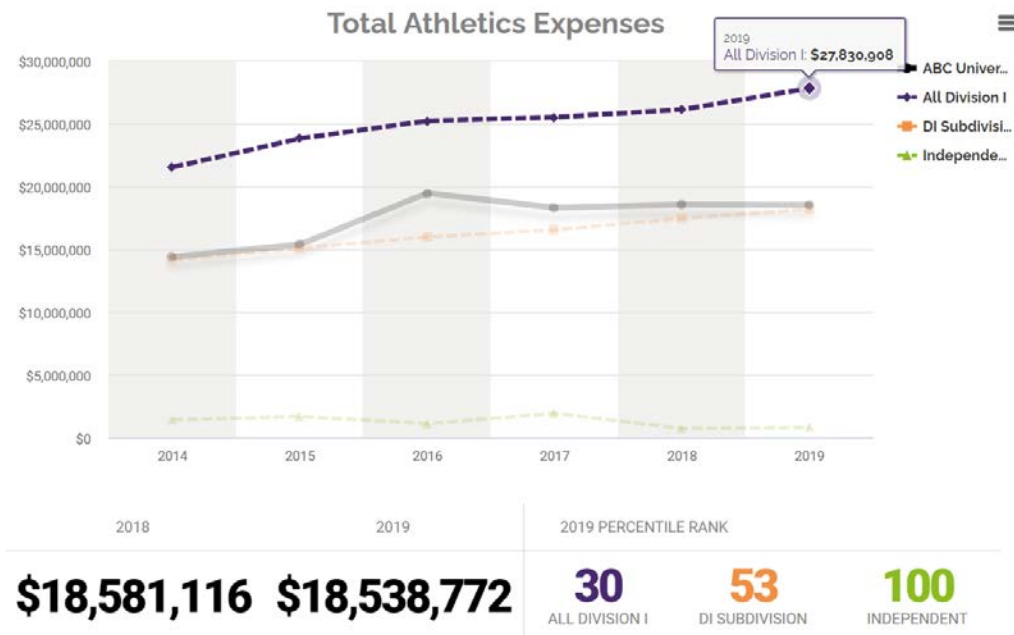
IPP Data Management System

- Found under “My Apps” section of single-source sign-on portion of www.ncaa.org, or you can email ipp@ncaa.org for assistance.

The screenshot displays the NCAA Applications dashboard. At the top, the NCAA logo and the word "Applications" are on the left, while "NCAA" and user information "KATRINA BUELL" with links for "My Profile" and "Logout" are on the right. Below this is a navigation bar with tabs: "My Apps" (selected), "Users", "Groups", "Logs", "Reports", and "Help". A message states "Account was successfully created." Below the message are three buttons: "Recently Used" (selected), "Sort By Name (A–Z)", and "Sort By Name (Z–A)". The main content area features four tiles: "Revenue Distribution" with a wallet icon, "Membership Financial Reporting System" with a book icon, "NCAA Directory" with a person icon, and "IPP" with a bar chart icon.

IPP DMS - Example

- ABC University



Background of NCAA Reporting Requirements

2. Improving controls and transparency around NCAA Revenue Distribution Formulas.

NCAA can not audit 350 institutions.

Need reliable information to distribute > \$600 million to members.

Agreed Upon Procedures Engagement (AUP) was born.

NCAA Distribution – How are monies distributed?

2019 REVENUE DISTRIBUTION		
FUND:	DATE:	AMOUNT:
Equal Conference Fund	April 17	\$53,550,181
Basketball Performance Fund	April 17	\$168,500,833
Sports Sponsorship Fund	May 8	\$75,118,234
Grants-in-Aid Fund	May 22	\$146,932,780
Academic Enhancement Fund	June 12	\$49,219,502
Conference Grants	June 12	\$9,965,217
Special Assistance Fund (SAF)	June 12	\$18,630,621
Student Athlete Opportunity Fund (SAOF)	June 12	\$67,958,441
2019 Revenue Distribution Total		\$589,875,809

NCAA Distribution Funds and Formulas

Equal Conference Fund

- Active DI basketball playing conferences
- Unit assigned based on 6 year rolling period
- In 2018, unit = \$273,500
- Conferences encouraged to distribute evenly among schools

Basketball Performance Fund

- DI – based on performance in Men's Basketball Championship
- Units assigned based on 6 year rolling period performance
- In 2018, unit = \$273,500

Sports Sponsorship Fund

- Unit for each qualified sport sponsored beginning with 14th sport (Division I Membership requirement)
- 2018 was \$36,500 per sport



NCAA Distribution Funds and Formulas

Grants-In-Aid (GIA)

- Number of athletic grants awarded in prior academic year by each institution
- Escalating multiplier for schools that provide more athletic grants
- 2018 unit value = \$299.58

NCAA Distribution Funds and Formulas

Academic Enhancement Fund

- Intended for enhancement of academic-support programs for athletes
- Distributed equally among Division I institutions
- In June 2018, each active DI institution = \$136,800

Conference Grants

- DI men's and women's basketball-playing conferences that employ full-time administrator
- Intended for enhancement of conference programs
- Independent institutions not eligible
- In 2018, conferences received approximately \$296,900

NCAA Distribution Funds and Formulas

Special Assistance Fund

- 3 components / unit value
 - Pell (70%)
 - GIA equivalencies (15%)
 - # of sports (15%)
- Used to assist athletes in meeting financial needs in conjunction with participation in athletics, enrollment in curriculum, or to recognize academic achievement

Student-Athlete Opportunity Fund

- 2/3's = Grants-in-Aid (\$92)
- 1/3 = Sports sponsorship (\$11,151)
- Used to assist athletes in meeting financial needs in conjunction with participation in athletics, enrollment in curriculum, or to recognize academic achievement

Data Integrity

Institutions are responsible to submit accurate data to ensure integrity of data:

Grants-in-aid

Full-time
equivalencies

Qualifying
sports
definition

Etc

Using
Compliance
Assistant
will
contribute
to data
integrity

Membership
Financial
Reporting
System



NCAA Reporting Requirements and Definitions

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

NCAA Membership Financial Reporting System

Submit financial data
detailing revenue and
expenses

Available to report
beginning September 15
through January 15
(deadline)

All information is
available in spring within
NCAA Institutional
Performance Program
(IPP)

Financial Data Submission

Prepare statement using basic accounting and revenue recognition principles using the following:

- College or University's GAAP policies
- NCAA reporting guidelines
- 19 revenue categories plus 2 subcategories
- 22 expense categories plus 1 subcategory

Financial Data Submission – Other Reporting Items

Excess Transfers to
Institution

Conference
realignment
expenses

Total athletics
related debt and
total institutional
debt

Athletic
endowments and
institutional
endowments

Athletics capital
expenditures

NCAA Reporting Definitions – Revenues & Expenses

APPENDIX A | 2020 Revised Revenue Categories

Sources of revenue for the athletics program will vary among institutions; however, typical sources of intercollegiate athletics revenues are outlined (each followed by a comprehensive definition) below

(* denotes new or updated content for 2020):

ID	Category	Definition
1	Ticket Sales	Input revenue received for sales of admissions to athletic events. This may include: <ul style="list-style-type: none"> • Public and faculty sales. • Student sales. • Shipping and Handling fees. <p>Please report amounts paid in excess of ticket's face value to obtain preferential seating or priority in Category 8 (Contributions).</p>
2	Direct State or Other Government Support	Input state, municipal, federal and other appropriations made in support of athletics. <p>This amount includes funding specifically earmarked for the athletics department by government agencies for which the institution cannot reallocate.</p> <p>This amount also includes state funded employee benefits. Corresponding expenses should be reported in Categories 22 and 24.</p> <p>Any state or other government support appropriated to the university, for which the university determines the dollar allocation to the athletics department shall be reported in Direct Institutional Support (Category 4).</p>
3	Student Fees	Input student fees assessed and restricted for support of intercollegiate athletics.
4	Direct Institutional Support	Input direct funds provided by the institution to athletics for the operations of intercollegiate athletics including: <ul style="list-style-type: none"> • Unrestricted funds allocated to the athletics department by the university (e.g. state funds, tuition, tuition discounts/waivers, transfers). • Federal work study support for student workers employed by athletics. • Endowment unrestricted income, spending policy distributions and other investment income distributed to athletics in the reporting year to support athletic operations. <p>Athletics restricted endowment income for athletics should be reported in Category 17.</p>

APPENDIX B | 2020 Revised Expense Categories

Expenses for the athletics program will vary among institutions; however, typical sources of intercollegiate athletics expenses are outlined (each followed by a comprehensive definition) below

(* denotes new or updated content for 2020):

ID	Category	Definition
20	Athletic Student Aid*	Input the total dollar amount of athletic student aid for the reporting year including: <ul style="list-style-type: none"> • Summer school. • Tuition discounts and waivers (unless it is a discount or waiver available to the general student body). • Aid given to student-athletes who are inactive (medical reasons) or no longer eligible (exhausted eligibility). • Other expenses related to attendance. <p>Note: Division I Grants-in-aid <u>equivalencies</u> are calculated by using the revenue distribution equivalencies by sport and in aggregate. (Athletic grant amount divided by the full grant amount).</p> <p><u>Other expenses related to attendance</u> (also known as cost of attendance) <u>should not be included in the grants-in-aid revenue distribution equivalencies</u>. Only tuition, fees, room, board and course related books are countable for grants-in-aid revenue distribution per Bylaw 20.02.7.</p> <p>Athletics aid awarded to non-athletes (student- managers, graduate assistants, trainers) should be reported as Expenses Not Related to Specific Teams. It is permissible to report only dollars in the Expenses Not Related to Specific Teams row as long as you have reported non-zero entries for Equivalencies, Number of Students, and Dollars (all 3 required for at least one sport).</p> <p>Note: Pell grants are provided by the government, not the institution or athletics department, and therefore should be excluded from reporting in this category.</p> <p>Note: This information can be managed within the NCAA's Compliance Assistance (CA) software. The equivalencies entered into CA will automatically populate to the athletic student aid section within the NCAA Financial Reporting System when the CA import feature is selected.</p>
21	Guarantees*	Input amounts paid to visiting participating institutions, including per diems and/or travel and meal expenses. This includes payments made due to game cancellations.



Key Reporting Definitions – Revenue Examples

Ticket Sales (1)

- Sales of admissions to athletic events (Public and faculty sales, student sales, shipping and handling fees). **Report amounts paid in excess of face value to obtain preferential seating or priority in Contributions (Category 8).**

NCAA Distributions (12)

- All NCAA distributions including NCAA championships reimbursements and payments received from the NCAA for hosting a championship. **NCAA distributions may be provided by the conference office. Consult with conference office for amount and include in this category.**

Conference Distributions (13)

- Revenues received by conference distribution, excluding portions relating to media rights. **Report these in Category 11. NCAA distributions reporting in Category 12. Bowl revenue distributions in Category 13A. Bowl reimbursements for expenses in Category 19.**



Key Reporting Definitions – Expense Examples

Athletic Student Aid (20)

- Dollar amount of aid for reporting year, including summer school, tuition discounts and waivers (unless available to general student body, aid given to athletics who are inactive for medical reason or exhausted eligibility, and other expenses related to attendance. Pell grants are provided by the government and not the school, should be excluded.

Indirect Institutional Support (36)

- Overhead and administrative expenses NOT directly charged to Athletics. (Facilities maintenance, risk management, utilities, equipment repair, other admin expenses, etc) Does not include depreciation. Should equal revenue category 6.

Bowl Expenses (41)

- Team travel, spirit groups, uniforms, etc. While there are categories for these general expenses, any related to Bowls go into this category. Coach compensation bonuses related to Bowls report in 41A.

2020 Changes in Reporting Categories (Revenue)

Category 7: Guarantees

- Amounts also include payments received due to game cancellations

Category 13A: Conference Distributions of Bowl Generated Revenue

- Amounts should only be for football

Category 19: Bowl Revenues

- Amounts should only be for football

2020 Changes in Reporting Categories (Expenses)

Category 21: Guarantees

- Amounts also include payments made due to game cancellations

Categories 22–25: Compensation and Benefits

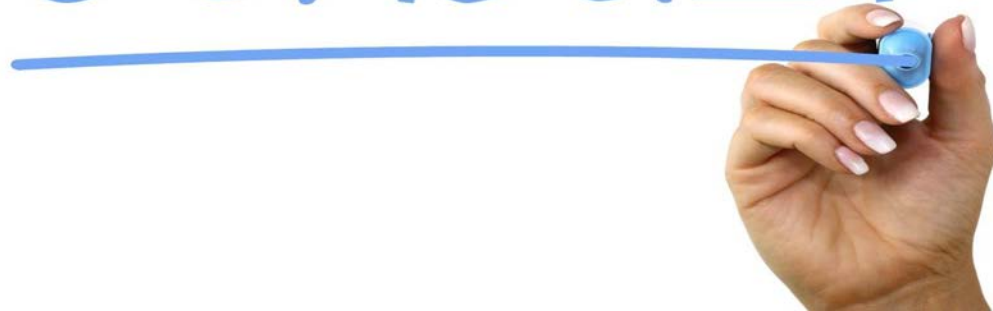
- New language includes non-taxable benefits given to employees in these amounts as well as tuition exemptions given to employees should also be include

Categories 41 and 41A: Student–Athlete Meals and Bowl Expenses

- Amounts should only be for football

Consult guidance for proper reporting!

CONSULT





NCAA Agreed Upon Procedures

Key Procedures and Recent Changes

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Agreed-Upon Procedures Requirements

Division I institutions (NCAA Bylaw 3.2.4.17)

- Subject to agreed-upon procedures performed by qualified independent accountant annually

Division II institutions (NCAA Bylaw 6.2.3)

- Subject to agreed-upon procedures performed by qualified independent accountant at least once every 3 years

Division III institutions

- No bylaw-mandated financial reporting requirements are currently in place

Agreed-Upon Procedures



1. Institution prepares Statement of Revenues and Expenses

2. Statement must include expenses for or on behalf of intercollegiate athletics programs by affiliated/outside organizations

3. Independent auditor: understand control environment of intercollegiate athletics

4. Auditors perform minimum procedures as outlined by NCAA and any other procedures requested by management

Minimum Agreed Upon Procedures - Summary

Agree balances to
supporting schedules


Budget to actual
comparison

Current year to prior
year comparison

Revenues - 28
different procedures
(for balances over 4%
of total revenue)

Expenses - 38
different procedures
(for balances over 4%
of total expenses)

Refining of Procedures Over the Years



Refined revenue
and expense
definitions

Additional
disclosures and
required
procedures over
the disclosures

Added procedures
over:

- Athletic Student Aid
- Grants-in-Aid
- Sports Sponsorship
- Pell Grants

Refining of Procedures over the Years

Athletic Student Aid

- Test sample of students from CA software
- Compare to student account detail
- Ensure information reported accurately in the CA software (12 attributes to test)

Grants-In-Aid

- Compare sports reported in Membership Financial Reporting System to Calculation of Revenue Distribution Equivalencies Report from CA
- Compare to prior year equivalencies; document variances greater than 4%

Sports Sponsorship

- Validate countable sports on Sports Sponsorship and Demographics Form met minimum requirements (number of contests/ participants)
- Compare to prior year and document any variances.

Pell Grants

- Agree number of DI athletes that received Pell and amount reported in NCAA Membership Financial Reporting System to financial aid records
- Compare to prior year and document variances +/- 20 grants.

2020 Changes to Agreed Upon Procedures

Appendix D Procedure 31: Athletic Student Aid (D1 only)

- For compliance purposes equivalencies may include other expenses related to attendance per Bylaw 15.02.2, however these expenses are not allowed to be included for revenue distribution equivalencies.

Sports Sponsorship (2019-2020 only)

- Sports that institution was expected to sponsor in 2020, but were canceled due to COVID-19, still qualify as sponsored sport for revenue distribution purposes.

Report on Agreed-Upon Procedures

Independent
auditor will
draft a
report

Addressed to President/Chancellor

A title that includes the word “independent”

A statement that the procedures performed was those agreed to by the specified parties identified in the report

List of procedures and reportable items/findings

Due prior to January 15

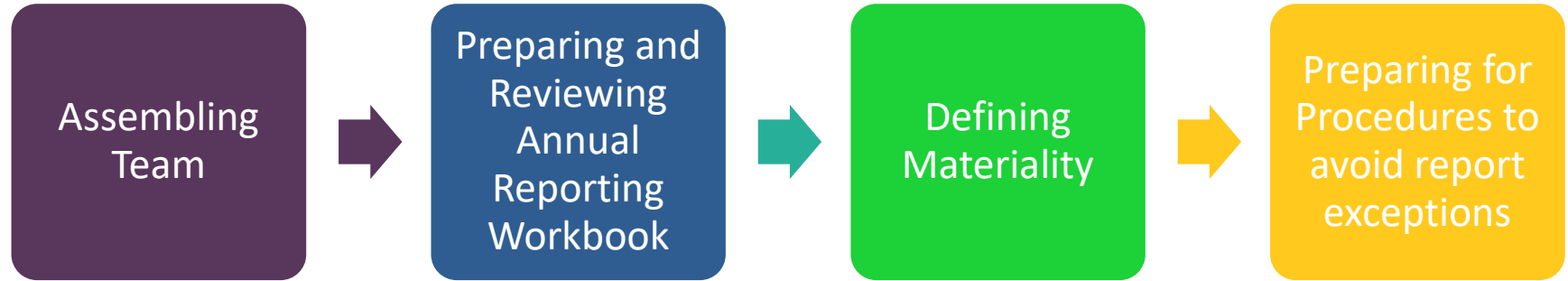


Best Practices

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Tips and Best Practices



Assembling Team

Include team members from business office, financial aid office, and athletic department



Assign roles in building report and collecting supporting information
(Finance and Compliance to work together!)

Assembling Team - Potential Team Responsibilities

Business Office

- Gathering detail from general ledger
- Capital asset, debt, and endowment support
- Invoice & contribution support

Financial Aid Office

- Gathering student award information for financial aid testing
- Aiding in providing support for athletic student fee

Athletics Department

- Gathering team rosters
- Producing ticket sale revenue, sports camp revenue, and bowl revenue support



Preparing NCAA Annual Workbook (Schedule of Revenue & Expenses by Sport)

As information is prepared for submission, retain detail source data used to populate workbook.

Do this annually regardless of whether or not an AUP is being completed.

Tie detail source data reports directly to final number used in the report



Review of Documentation

Perform independent review of completed NCAA workbook and supporting documentation to ensure accuracy and proper completion.

Complete review prior to submission and/or prior to providing information to independent auditor for AUP

Defining Materiality

AUPS - report all differences/exceptions noted during procedures.

No materiality threshold
UNLESS defined by management in engagement letter.

Suggest considering whether or not your institution would like to define materiality threshold.

Example: Only exceptions over \$5,000 will be reported.

Preparing for Procedures

Ensure activity detail for each line item on the Schedule reconciles to total reported on the Schedule.

Review procedures auditors will be performing as outlined in the Engagement Letter. Prepare accordingly.

Preparing for Procedures: Ticket Sale Revenue

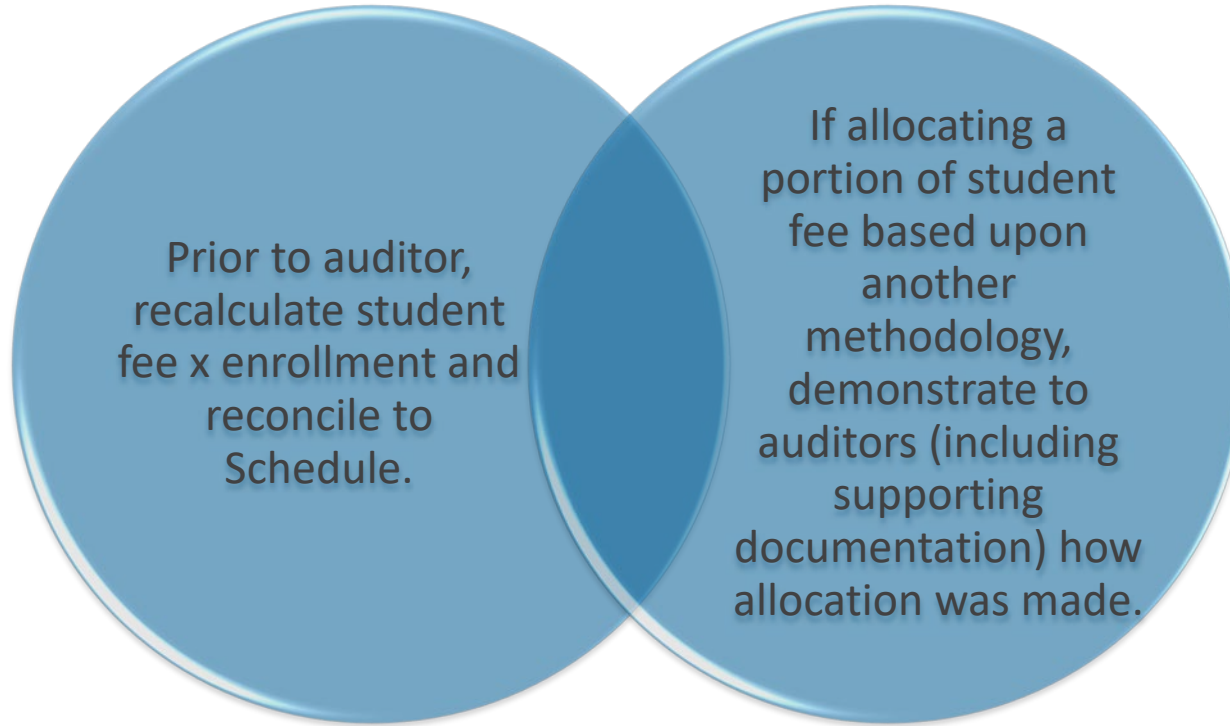
Prepare reconciliation of the # of game tickets sold by type to revenue reported on Schedule.

Recalculate by sport

Identify and resolve reconciling items prior to auditor's review.



Preparing for Procedures: Student Fee Revenue



Preparing for Procedures: Sports Camp Revenue

Requires sports camp revenue listings by participant.

Reconcile camp participants and cash receipts by each camp to Schedule prior to auditor selecting sample.

Preparing for Procedures: Athletics Student Aid

Anticipate required sample sizes.

- 10% if use NCAA Compliance Assistant (CA), maximum sample of 40
- If do not use CA, 20% with maximum sample of 60

Listing of institutional aid provided should reconcile to Schedule.

Tie student's award disbursement in the software to the student's account detail.



Preparing for Procedures: Athletics Student Aid – D1 Only

Check each student to ensure information is reported accurately into the NCAA's CA software

- Calculation of equivalency value
- Students should not receive a revenue distribution equivalency greater than 1.00
- Ensure Pell grant is not included in calculation of equivalencies

Preparing for Procedures: Salaries Expense

Reconcile contracts and payroll registers to detail used to create Schedule

Preparing for Procedures: Other Reporting Items

Utilize information also used in audit!

Total Institutional
Debt & Total
Athletics Related
Debt

Total Institutional
Endowments &
Total Athletics
Dedicated
Endowments

Total Athletics
Related Capital
Expenditures

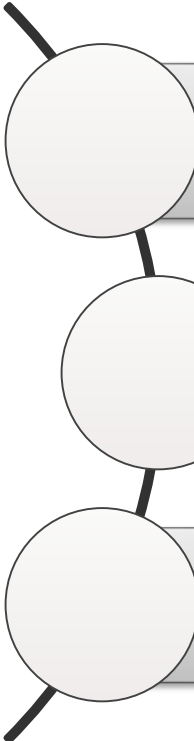


In Conclusion.....

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Overall Reporting Considerations



If applicable, internal audit could spot check higher risk NCAA reporting categories annually

Orientation and training could be done for anyone new to the NCAA reporting process each year

Consider reaching out to your independent auditor or other college and university contacts to discuss processes, reporting, and learn from each other

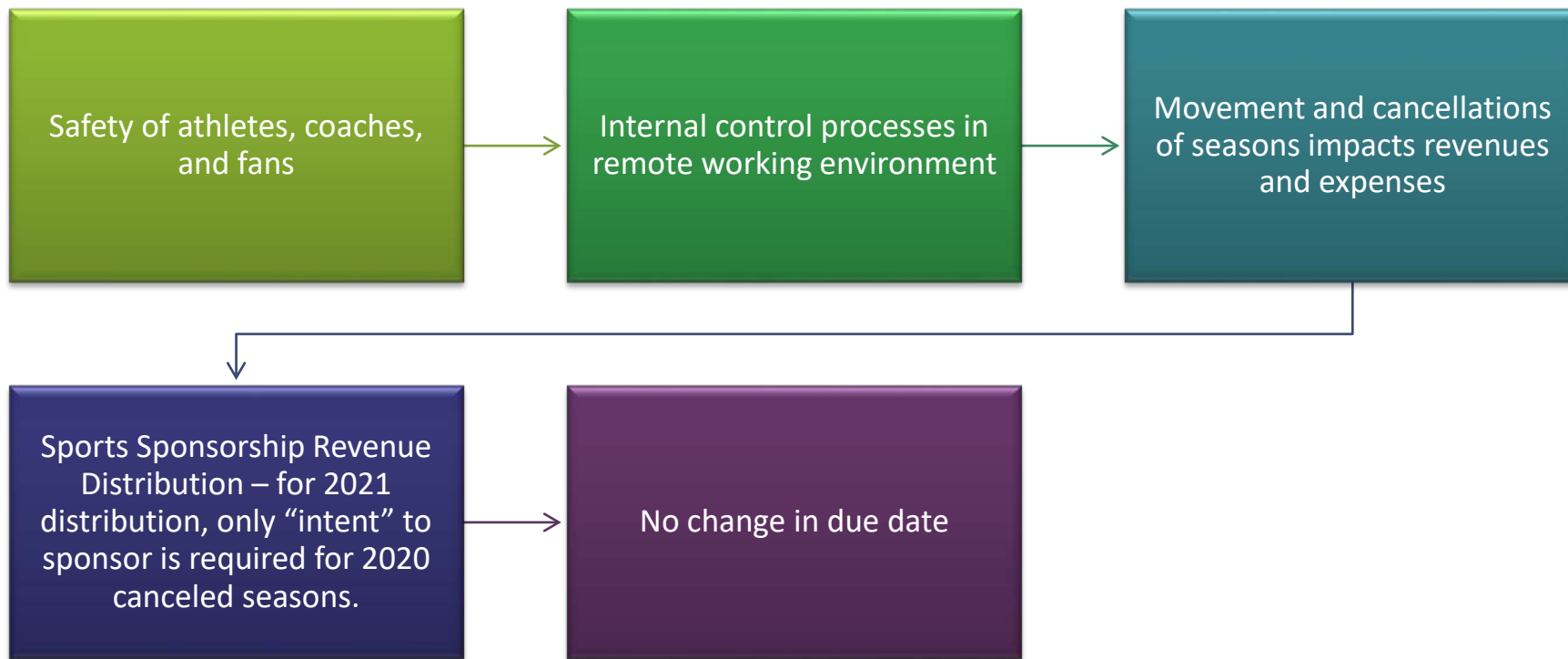
Have questions or need clarification?

2020 NCAA
AUP and
Financial
Reporting
FAQ's

Ask questions
to NCAA
directly

Auditors can
ask NCAA
questions on
your behalf

COVID-19 Impact



Resources

- Link to 2020 Agreed-Upon Procedures
 - https://ncaaorg.s3.amazonaws.com/ncaa/finance/2020NCAAFIN_AgreedUponProcedures.pdf
- Link to Best Practice article
 - <https://www.claconnect.com/resources/articles/2019/ncaa-agreed-upon-procedures-best-practices-for-di-and-dii-programs>
- Link to 2020 NCAA AUP Changes article
 - <https://www.claconnect.com/resources/articles/2020/get-up-to-speed-on-new-ncaa-procedures-for-submitting-financial-data>



Questions???





CLAconnect.com

Question for the NCAA:
ncaafirs@ncaa.org

Jean Bushong, CPA
Jean.Bushong@claconnect.com
303-265-7884

Aaron Crall, CPA
Aaron.Crall@claconnect.com
813-384-2729

Liz Towne, CPA
Liz.Towne@claconnect.com
612-867-4542

