

# **UNIVERSITY OF HOUSTON**

*Independent Accountants' Report on the  
Application of Agreed-Upon Procedures*

*National Collegiate Athletic Association  
(NCAA) Compliance*

**For the Fiscal Year Ended August 31, 2018  
(Amended January 29, 2019)**

**By:**

**Belt Harris Pechacek, LLLP**  
*Certified Public Accountants*

3210 Bingle Rd., Suite 300  
Houston, Texas 77055  
Tel (713) 263-1123, Fax (713) 263-1550

# UNIVERSITY OF HOUSTON

## *TABLE OF CONTENTS*

For the Year Ended August 31, 2018

	<u>Page</u>
Independent Accountants' Report on the Application of Agreed-Upon Procedures	1
Exhibit A – Results of Agreed-Upon Procedures Performed on the Statement of Revenues and Expenses of the Intercollegiate Athletics Department	2
Exhibit B – Statement of Revenues and Expenses of the Intercollegiate Athletics Department	13
Exhibit C – Notes to the Statement of Revenues and Expenses – Intercollegiate Athletics Department	14
Exhibit D – Schedule of Variance – Current to Prior Year	16
Exhibit E – Schedule of Variance – Current to Budget	17



## ***INDEPENDENT ACCOUNTANTS' REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES***

To the President and Management of the  
Intercollegiate Athletics Department of the  
University of Houston:

We have performed the procedures enumerated in Exhibit A, which were agreed to by the President and management of the University of Houston (UH) solely to assist UH in evaluating whether the accompanying Statement of Revenues and Expenses (the "Statement") of the Intercollegiate Athletics Department ("UH Athletics"), Exhibit B, is in compliance with the National Collegiate Athletic Association's (NCAA) bylaw 3.2.4.15 for the year ended August 31, 2018. UH's management is responsible for the Statement and the Statement's compliance with those 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 in Exhibit A - Results of Agreed-Upon Procedures Performed on the Statement of Revenues and Expenses of the Intercollegiate Athletics Department, either for the purpose for which this report has been requested or for any other purpose.

Our results and findings related to the application of the agreed-upon procedures are included in Exhibit A.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance of the accompanying Statement. 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 specified parties listed above and is not intended to be, and should not be, used by anyone other than these specified parties.

### **Emphasis of Matter**

Subsequent to the issuance of the Accountants' Report dated January 15, 2019, UH Athletics amended Exhibits B, D, and E to capture inner fund transactions and reclassified, where appropriate, to NCAA revenue and expense categories. The Accountants' Report is unmodified with respect to the changes other than to present updated accompanying exhibits and to reflect a January 29, 2019 issuance date based on consideration of the amended exhibits' impact on the procedures and results as presented in Exhibit A.

*BELT HARRIS PECHACEK, L.L.P.*

*Certified Public Accountants*

Houston, Texas

January 29, 2019 (See Emphasis of Matter paragraph)

**UNIVERSITY OF HOUSTON**  
**RESULTS OF AGREED-UPON PROCEDURES PERFORMED ON THE**  
**STATEMENT OF REVENUES AND EXPENSES OF THE**  
**INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
For the Year Ended August 31, 2018

**General Revenue and Expenses**

**1. Comparison of the Statement of Revenues and Expenses to the General Ledger**

***Procedure(s):***

Obtain the Statement of Revenues and Expenses of the Intercollegiate Athletics Department (the "Statement") for the fiscal year ending August 31, 2018, recalculate the addition of amounts reported in the Statement for mathematical accuracy, and compare the amounts reported on the Statement to the general ledger detail.

***Result(s) and Finding(s):***

We noted an immaterial difference of less than \$1 between the Statement and the general ledger due to rounding. No other exceptions were noted in applying these procedures.

**2. Identification of Accounts Within and Below Scope**

***Procedure(s):***

From the Statement, identify specific reporting categories less than 4% of the total revenues or less than 4% of total expenses. (For these categories no procedures are required for that specific category in accordance with *NCAA Agreed Upon Procedures – Appendix D.*)

***Result(s) and Finding(s):***

The revenue and expense categories 4% or less of the respective category of revenues/expenses are noted in Exhibit B.

**3. Sample**

***Procedure(s):***

Compare and agree a sample of operating revenues and expenses obtained from the general ledger to adequate supporting documentation.

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**UNIVERSITY OF HOUSTON**  
**RESULTS OF AGREED-UPON PROCEDURES PERFORMED ON THE**  
**STATEMENT OF REVENUES AND EXPENSES OF THE**  
**INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
For the Year Ended August 31, 2018

**4. Prior Year Comparison**

***Procedure(s):***

Compare each major revenue and expense account that is 1) over 10% of the corresponding total revenues and total expenses in the Statement for fiscal year ending August 31, 2018 and 2) which the increase or decrease from the prior year is over 10%, and obtain explanations from Management regarding the reasons for the variances.

***Result(s) and Finding(s):***

Categories exceeding the criteria and Management's responses are included in Exhibit D.

**5. Budget Comparison**

***Procedure(s):***

Obtain a schedule of budgeted revenues and expenses. Compare each major revenue and expense account that is 1) over 10% of the corresponding total revenues and total expenses in the Statement for fiscal year ending August 31, 2018 and 2) which the increase or decrease from the budget is over 10%, and obtain explanations from Management regarding the reasons for the variations.

***Result(s) and Finding(s):***

Categories exceeding the criteria and Management's responses are included in Exhibit E.

**Revenue**

**6. Ticket Sales**

***Procedure(s):***

Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by UH in the Statement and the related attendance figures and recalculate totals.

**UNIVERSITY OF HOUSTON**  
**RESULTS OF AGREED-UPON PROCEDURES PERFORMED ON THE**  
**STATEMENT OF REVENUES AND EXPENSES OF THE**  
**INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
For the Year Ended August 31, 2018

**Result(s) and Finding(s):**

We obtained a schedule of tickets, extended the total ticket price, and compared to the related amounts and noted the following variances:

	Ticket Detail	Per Statement	Variance
<b>FOOTBALL</b>			
UH Ticketing System	\$ 4,053,786		
Tickets Consignment	(377,419)		
Net Football	<u>3,676,367</u>	\$ 3,655,460	\$ 20,907
MEN'S BASKETBALL	345,305	349,922	(4,617)
WOMEN'S BASKETBALL	25,264	25,290	(26)
<b>OTHER SPORTS</b>			
Baseball	130,267	131,741	(1,474)
Soccer	2,070	2,165	(95)
Softball	28,463	28,463	-
Swimming	-	-	-
Track	17,344	17,661	(317)
Volleyball	9,222	9,265	(43)
Total Other Sports	<u>187,366</u>	<u>189,295</u>	<u>(1,929)</u>
Total All Sports	<u>\$ 4,234,302</u>	<u>\$ 4,219,967</u>	<u>\$ 14,335</u>

**7. Student Fees****Procedure(s):**

- A. Obtain and document an understanding of UH's methodology for allocating student fees to intercollegiate athletics programs.
- B. Compare and agree student fees reported by UH in the Statement to student enrollments during the same reporting period and recalculate totals.

**UNIVERSITY OF HOUSTON**  
**RESULTS OF AGREED-UPON PROCEDURES PERFORMED ON THE**  
**STATEMENT OF REVENUES AND EXPENSES OF THE**  
**INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
For the Year Ended August 31, 2018

**Result(s) and Finding(s):**

A. Management provided the following explanation:

*Student fees allocated to athletics consist of two components: 1). Fees assessed in accordance with the Student Fee Referendum to cover specific annual debt service payments related to stadium construction and basketball arena renovation and 2) general student fees allocated by the Student Fee Advisory Committee (SFAC).*

*The SFAC is responsible for the establishment of student fees and oversight of the Student Fee Referendum approved by Students in 2012 designating \$45 per student semester to support a new stadium and basketball arena renovation. The SFAC is made up of seven (7) students, two (2) faculty and one (1) non-voting advisor and is charged with recommending funding allocations for Student Services Fees. SFAC meets several times during the latter half of the Fall semester and several more times in early Spring. In the Fall, members receive a comprehensive orientation designed to familiarize them with SFAC's operating and budget procedures. In the Spring, departments and student organizations which receive Student Service Fees provide a written request following Program Questionnaire Guidelines. In addition, departments and student organizations requesting funds are then required to make a presentation to SFAC so that members have a clear understanding of what a department does and its goals for the next fiscal year. Following these presentations, SFAC goes into deliberation. Once the deliberations are finalized, SFAC forwards its allocation recommendations, as well as a recommendation on the amount of the SFAC Fee for the following year to the Vice President for Student Affairs and Enrollment Services and the President's received its authority via the Texas Administrative Code (Education Code; Chapter 54; Section 54.5062). As with other University Committees, Boards, and Task Forces, the SFAC has by-laws to ensure they are operating in an effective way to meet their goals and responsibilities. For your reference, you can view the SFAC By-laws. SFAC plays a very important role, making recommendations on behalf of all students at UH. Their recommendations directly affect campus life and the futures of many departments and programs.*

*Pursuant to the SFAC Report for FY18, the SFAC provided Intercollegiate Athletics a base funding allocation of \$4,407,707 (equal to the FY17 base allocation). In its FY18 report, SFAC also provided an estimated base allocation for renovation and construction of athletics facilities equal to "approximately \$3,375,000". This "approximate" renovations and construction figure was calculated when the Referendum was passed by the students as an estimate based on \$45 per semester for a student body of 37,500. Given actual student attendance varies and the amount of support afforded is tied to the debt service requirements for that year, Student Fee Revenue associated with Athletics Debt Service for FY18 was \$4,370,140. That figure enters an Athletics cost center as revenue and is then transferred out as an expense.*

**UNIVERSITY OF HOUSTON**  
**RESULTS OF AGREED-UPON PROCEDURES PERFORMED ON THE**  
**STATEMENT OF REVENUES AND EXPENSES OF THE**  
**INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
**For the Year Ended August 31, 2018**

- B. We obtained a copy of the SFAC report for 2018 noting that \$4,407,707 was approved for UH Athletics, along with a dedicated fee of \$3,375,000. We obtained the undergraduate enrollment data by semester and recalculated the fee for the year. We noted a total variance of \$995,140 between the SFAC budget and actual amount recorded on the Statement. We noted a variance of \$(57,815) between the recalculated student fees and the actual amount recorded on the Statement. UH Athletics attributed the difference to the manner that UH System records transactions based on estimates.

	Per SFAC Report	Recalculated by Accountant
Undergraduate enrollment		
Fall 2017		37,369
Spring 2018		33,683
Summer 2018		12,573
Graduate enrollment		
Fall 2017		6,229
Spring 2018		5,962
Summer 2018		2,583
Total recalculated enrollment	75,000	98,399
Student fee	45	\$ 45
Recalculated Total Dedicated Fee	\$ 3,375,000	\$ 4,427,955
Budget approved by SFAC	\$ 4,407,707	\$ 4,407,707
	7,782,707	8,835,662
Actual Student Fee per Exhibit B	8,777,847	8,777,847
Variance	\$ 995,140	\$ (57,815)

\* Based on projected enrollment

Management provided the following explanation:

Variance from SFAC report

*The SFAC report does not accurately state the Memorandum of Understanding that was entered into in connection with the issuance of debt to finance the facilities. The amounts presented in the SFAC reflect the original estimated enrollment and debt service, but have not been revised for increases in both. Management will be working with SFAC for the 2020 Report to more accurately reflect the Memorandum of Understanding.*

Variance from Accountants recalculation

*Management is aware of computational oversight and is working to refine the enrollment and fee calculations to reduce the overall variance.*



**UNIVERSITY OF HOUSTON**  
**RESULTS OF AGREED-UPON PROCEDURES PERFORMED ON THE**  
**STATEMENT OF REVENUES AND EXPENSES OF THE**  
**INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
For the Year Ended August 31, 2018

**8. Direct Institutional Support**

*Procedure(s):*

Compare the direct institutional support recorded by UH in 2018 with UH's supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.

*Result(s) and Finding(s):*

No exceptions were noted in applying these procedures.

**9. Contributions**

*Procedure(s):*

From the general ledger detail of all contributions received during the reporting period, review the listing to determine if any contributor's total contribution was 10% or more of total contributions.

*Result(s) and Finding(s):*

We did not note any contributions which exceed the 10% threshold.

**10. Media Rights**

*Procedure(s):*

Obtain and inspect agreements to understand UH's total media (broadcast, television, radio) rights received by UH or through their conference offices as reported in the Statement.

*Result(s) and Finding(s):*

UH's only media agreement was through the NCAA. No exceptions were noted in applying these procedures.

**11. NCAA Distributions**

*Procedure(s):*

From the general ledger detail, select a sample of two NCAA distributions and compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.

*Result(s) and Finding(s):*

No exceptions were noted in applying these procedures.

**UNIVERSITY OF HOUSTON**  
**RESULTS OF AGREED-UPON PROCEDURES PERFORMED ON THE**  
**STATEMENT OF REVENUES AND EXPENSES OF THE**  
**INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
For the Year Ended August 31, 2018

**12. Royalties, Licensing, Advertisements, and Sponsorships**

*Procedure(s):*

From the general ledger detail, select a sample of three transactions and obtain and inspect agreements related to UH Athletics' participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions. Compare and agree the related revenues to the general ledger detail and the Statement and recalculate totals.

*Result(s) and Finding(s):*

No exceptions were noted in applying these procedures.

**13. Other Revenue**

*Procedure(s):*

From the general ledger detail, select a sample of five transactions and obtain supporting documentation. Compare and agree the related revenues to the general ledger detail and the Statement and recalculate totals.

*Result(s) and Finding(s):*

No exceptions were noted in applying these procedures.

**Expenses**

**14. Athletic Student Aid**

*Procedure(s):*

- A. Select a sample of 10% of the student-athletes for UH who have used NCAA's Compliance Assistance (CA) software to prepare athletic aid detail.
- B. Obtain individual student account detail for each selection and compare total aid in UH's student system to the student's detail in CA or UH report that ties directly to the NCAA Membership Financial Reporting System. Perform a check of each student selected to ensure their information was reported accurately in the NCAA's CA software.

*Result(s) and Finding(s):*

No exceptions were noted in applying these procedures.

**UNIVERSITY OF HOUSTON**  
**RESULTS OF AGREED-UPON PROCEDURES PERFORMED ON THE**  
**STATEMENT OF REVENUES AND EXPENSES OF THE**  
**INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
For the Year Ended August 31, 2018

**15. Coaching Salaries, Benefits, and Bonuses Paid**

***Procedure(s):***

Obtain and inspect a listing of coaches employed by UH Athletics and related entities during the reporting period and select a sample of five coach's contracts that must include football and men's and women's basketball. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by UH Athletics and related entities in the Statement during the reporting period. In addition, obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits, and bonuses paid by UH and related entities expense recorded by UH in the Statement during the reporting period and recalculate totals.

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**16. Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities**

***Procedure(s):***

- A. Obtain and inspect a listing of support staff/administrative employees of UH Athletics and related entities during the reporting period and select a sample of five personnel employed by UH Athletics.
- B. Obtain and inspect payroll summary registers for the reporting year for each selection.
- C. Compare and agree payroll summary registers from the reporting period to the related staff salaries, benefits, and bonuses paid by UH Athletics and related entities and recorded by UH Athletics in the Statement during the reporting period and recalculate totals.

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**17. Team Travel**

***Procedure(s):***

- A. Obtain and document an understanding of UH Athletics' team travel policies.
- B. Compare and agree to existing UH Athletics and NCAA related policies.
- C. From the general ledger detail, select three transactions and obtain supporting documentation.
- D. Compare and agree related amounts expensed by UH Athletics to the general ledger detail and the Statement and recalculate amounts.

**UNIVERSITY OF HOUSTON**  
**RESULTS OF AGREED-UPON PROCEDURES PERFORMED ON THE**  
**STATEMENT OF REVENUES AND EXPENSES OF THE**  
**INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
For the Year Ended August 31, 2018

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**18. Game Expenses**

***Procedure(s):***

From the general ledger detail, select a sample of three transactions and obtain supporting documentation. Compare and agree the related amounts expensed by UH Athletics to the general ledger detail and the Statement and recalculate totals.

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**19. Athletic Facility Debt Service, Leases, and Rental Fees**

***Procedure(s):***

From the general ledger detail, select a sample of three transactions and obtain supporting documentation. Compare and agree the related amounts expensed by UH Athletics to the general ledger detail and the Statement and recalculate totals.

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**20. Direct Overhead and Administrative Expenses**

***Procedure(s):***

From the general ledger detail, select a sample of three transactions and obtain supporting documentation. Compare and agree the related amounts expensed by UH Athletics to the general ledger detail and the Statement and recalculate totals.

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**21. Other Operating Expenses**

***Procedure(s):***

From the general ledger detail, select a sample of three transactions and obtain supporting documentation. Compare and agree the related amounts expensed by UH Athletics to the general ledger detail and the Statement and recalculate totals.

**UNIVERSITY OF HOUSTON**  
**RESULTS OF AGREED-UPON PROCEDURES PERFORMED ON THE**  
**STATEMENT OF REVENUES AND EXPENSES OF THE**  
**INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
For the Year Ended August 31, 2018

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**Additional Minimum Procedures**

**22. Squads List**

***Procedure(s):***

Compare and agree the sports sponsored reported in the NCAA Membership Financial Report System to the squad lists of UH.

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**23. Sports Sponsorship and Demographics Form**

***Procedure(s):***

- A. Obtain UH Athletics' Sports Sponsorship and Demographics Forms Report for the reporting year.
- B. Validate that the countable sports reported by UH Athletics meet the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum contest requirement.
- C. Once countable sports have been confirmed, ensure that UH has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**24. Pell Grants**

***Procedure(s):***

Agree the total number of Division I student-athletes who, during the academic year, received a Pell Grant award and the total value of the Pell Grants reported in the NCAA Membership Financial Reporting System to a report generated out of UH financial aid records of all student-athletes receiving Pell Grants.

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**UNIVERSITY OF HOUSTON**  
**RESULTS OF AGREED-UPON PROCEDURES PERFORMED ON THE**  
**STATEMENT OF REVENUES AND EXPENSES OF THE**  
**INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
For the Year Ended August 31, 2018

**Other Reporting Items**

**25. Athletic Related Debt**

***Procedure(s):***

- A. Obtain repayment schedules for all outstanding intercollegiate athletics debt during the reporting period and recalculate annual maturities provided in the schedules obtained.
- B. Agree the total annual maturities and total outstanding athletic related debt to supporting documentation in UH's general ledger.

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**26. Total Debt**

***Procedure(s):***

Agree the total outstanding UH debt to the supporting documentation and UH general ledger.

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**27. Total Athletics Related Capital Expenditures**

***Procedure(s):***

Obtain a schedule of athletics related capital expenditures made by UH Athletics during the report period. Obtain general ledger detail and compare the total expense reported. Select a sample of transactions to validate existence of transactions and accuracy of recording and recalculated totals.

***Result(s) and Finding(s):***

No exceptions were noted in applying these procedures.

**UNIVERSITY OF HOUSTON**  
**Statement of Revenues and Expenses of the Intercollegiate Athletics Department**  
**Year Ended August 31, 2018**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL	Below 4% of Total
<b>REVENUES</b>							
1. Ticket Sales.	\$ 3,655,460	\$ 349,922	\$ 25,290	\$ 189,295	\$ 91,554	\$ 4,311,521	No
2. Direct State or Other Gov't Support	-	-	-	-	-	-	Yes
3. Student Fees.	-	-	-	-	8,777,847	8,777,847	No
4. Direct Institutional Support.	-	-	-	-	22,399,974	22,399,974	No
5. Less-Transfers to Institution	-	-	-	-	-	-	Yes
6. Indirect Institutional Support	-	-	-	-	-	-	Yes
7. Guarantees.	250,000	-	-	13,000	-	263,000	Yes
8. Contributions.	728,201	136,029	-	1,226,891	6,295,479	8,386,600	No
9. In Kinds	-	-	-	-	-	-	Yes
10. Compensation and Benefits Provided by 3rd party	-	-	-	-	-	-	Yes
11. Media Rights	-	-	-	15,000	2,715,243	2,730,243	No
12. NCAA Distributions	-	-	-	-	1,357,020	1,357,020	Yes
13. Conf Distributions	-	-	-	-	-	-	Yes
14. Program, Novelty, Parking and Concession Sales	615,798	715	-	84,312	54,340	755,165	Yes
15. Royalties, Licensing, Advertisement, Sponsorship	-	-	-	-	4,142,047	4,142,047	No
16. Sports Camps Revenues	-	-	-	-	-	-	Yes
17. Athletics Restricted Endowment and Investments Income.	15,985	10,501	-	40,855	176,360	243,701	Yes
18. Other Operating Revenue.	269,762	-	-	78,225	657,602	1,005,589	Yes
19. Bowl Revenues	769,710	-	-	-	-	769,710	Yes
	<u>6,304,916</u>	<u>497,167</u>	<u>25,290</u>	<u>1,647,578</u>	<u>46,667,466</u>	<u>55,142,417</u>	
<b>EXPENSES</b>							
20. Athletic Student Aid.	2,879,842	469,105	477,328	3,397,647	664,445	7,888,368	No
21. Guarantees	300,000	566,502	9,900	55,248	-	931,650	Yes
22. Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities.	4,556,477	2,529,687	677,406	2,970,724	-	10,734,294	No
23. Coaching Salaries, Benefits, and Bonuses Paid by a 3rd party	-	-	-	-	-	-	Yes
24. Support Staff/Administrative Compensation, Benefits and Bonuses Paid by the University and Related Entities.	1,049,173	380,271	181,665	345,329	7,000,782	8,957,220	No
25. Support Staff/Administrative Compensation, benefits and Bonuses Paid by a 3rd party	-	-	-	-	-	-	Yes
26. Severance Payments	-	-	-	-	-	-	Yes
27. Recruiting.	251,975	125,839	52,092	263,456	4,816	698,178	Yes
28. Team Travel	819,474	626,294	554,787	1,434,631	22,309	3,457,495	No
29. Sports Equipment, Uniforms and Supplies.	538,490	148,496	37,165	409,937	72,660	1,206,747	Yes
30. Game Expenses.	941,474	141,430	53,414	489,045	473,161	2,098,525	Yes
31. Fund Raising, Marketing and Promotion.	30,839	5,322	5,905	32,513	1,027,070	1,101,649	Yes
32. Sports Camps Expenses	-	-	-	-	-	-	Yes
33. Spirit Groups	-	-	-	-	-	-	Yes
34. Athletic Facilities Debt Service, Leases and Rental Fee	-	-	-	-	7,637,984	7,637,984	No
35. Direct Overhead and Administrative Expenses	-	-	-	-	3,539,106	3,539,106	No
36. Indirect Institutional Support	-	-	-	-	-	-	Yes
37. Medical Expenses and Insurance	47,751	200	400	18,121	1,129,302	1,195,774	Yes
38. Memberships and Dues	6,745	1,190	991	4,000	18,098	31,024	Yes
39. Student-Athlete Meals (non-travel)	1,079,214	106,269	34,647	176,641	283,530	1,680,301	Yes
40. Other Operating Expenses.	1,079,342	286,493	107,430	1,102,634	2,650,377	5,226,276	No
41. Bowl Expenses	641,572	-	-	-	-	641,572	Yes
41.A. Bowl Expenses - Coaching Compensation/Bonuses	80,750	-	-	-	-	80,750	Yes
	<u>\$ 14,303,118</u>	<u>\$ 5,387,098</u>	<u>\$ 2,193,130</u>	<u>\$ 10,699,926</u>	<u>\$ 24,523,641</u>	<u>\$ 57,106,914</u>	

See accompanying independent accountants' report on application of agreed-upon procedures.

**UNIVERSITY OF HOUSTON**  
**NOTES TO THE STATEMENT OF REVENUES AND EXPENSES**  
**OF THE INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
For the Year Ended August 31, 2018

**NOTE 1: ORGANIZATION AND BASIS FOR PRESENTATION**

The University of Houston Intercollegiate Athletic Department (UH Athletics) is a department of University of Houston (UH) and, therefore, is under the control of the Board of Regents of UH, which administers intercollegiate athletic programs. UH is an agency of the State of Texas (the "State").

The Statement of Revenues and Expenses of the Intercollegiate Athletics Department (the "Statement") has been prepared in conformity with accounting principles generally accepted in the United States of America, and by using the basic accounting and revenue recognition principles set forth in the American Institute of Certified Public Accountants Audit and Accounting Guide entitled "State and Local Governments" and in the National Association of College and University Business Officers publication entitled "College and University Business Administration."

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

Certain expenses, such as depreciation, are recorded at the University level and not accounted for in the Statement.

Buildings, facilities, and equipment represent capital assets acquired primarily for the operation of UH Athletics. Title to capital assets utilized by UH Athletics rests with the State in the name of UH and, therefore, such assets can be transferred to or from UH Athletics at the discretion of UH. The threshold for capitalization of equipment is \$5,000. Capital assets are stated at cost at the date of acquisition. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation is recorded on a straight-line basis over the useful lives of the assets. Useful lives are established by a uniform classification system maintained by the State and are measured from the date of acquisition.



**UNIVERSITY OF HOUSTON**  
**NOTES TO THE STATEMENT OF REVENUES AND EXPENSES**  
**OF THE INTERCOLLEGIATE ATHLETICS DEPARTMENT**  
**For the Year Ended August 31, 2018**

**NOTE 3: LONG-TERM DEBT**

Future debt service payments for the revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,552,815	\$ 2,775,792	\$ 5,328,607
2020	2,636,705	2,695,552	5,332,257
2021	2,716,150	2,608,354	5,324,504
2022	2,711,695	2,515,391	5,227,086
2023	2,816,140	2,414,691	5,230,831
2024	2,925,585	2,305,035	5,230,620
2025	3,049,475	2,187,189	5,236,664
2026	3,168,920	2,061,387	5,230,307
2027	3,302,810	1,927,405	5,230,215
2028	3,451,700	1,783,488	5,235,188
2029	3,600,590	1,628,699	5,229,289
2030	3,769,480	1,460,938	5,230,418
2031	3,943,925	1,280,970	5,224,895
2032	3,835,000	1,096,874	4,931,874
2033	4,025,000	907,544	4,932,544
2034	4,220,000	707,861	4,927,861
2035	4,435,000	498,187	4,933,187
2036	3,675,000	302,588	3,977,588
2037	3,855,000	121,946	3,976,946
2038	775,000	14,725	789,725
	<u>\$ 65,465,990</u>	<u>\$ 31,294,616</u>	<u>\$ 96,760,606</u>

**UNIVERSITY OF HOUSTON**  
**Schedule of Variance - Current to Prior Year**  
**Statement of Revenues and Expenses of the Intercollegiate Athletics Department**  
**Year Ended August 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>\$ Variance</u>	<u>Management's Response for variances greater than 10% and 10% of total</u>
<b>REVENUES</b>				
4. Direct Institutional Support	\$ 22,399,974	\$ 17,609,027	\$ 4,790,947	University management provided one-time support to the Department. Primary factors associated with this one-time support were: decline in ticket sales (\$2.25m), decline in related donations (\$1.54m) as well as an increase in student aid expense (scholarships) (\$703k)
8. Contributions	8,386,600	9,923,994	(1,537,394)	To a large extent annual contributions are tied to per seat donation requirements for season ticket purchases, notably in the sport of football. Sales in football were down from \$5.53m in FY17 to only \$3.655m in FY18.
<b>EXPENSES</b>				
34. Athletic Facilities Debt Service, Leases and Rental Fee	7,637,984	5,384,720	2,253,264	Notably attributable to: Onboard of Hoffheinz (Fertitta Center) renovation obligations, a transfer made to support video board upgrades in TDECU and Fertitta Center, a transfer made to support renovation of the Academic Center for Excellence (ACE) and improvements made to the UH softball complex.

See accompanying independent accountants' report on application of agreed-upon procedures.

# UNIVERSITY OF HOUSTON

## Schedule of Variance - Current to Budget Statement of Revenues and Expenses of the Intercollegiate Athletics Department Year Ended August 31, 2018

	<u>2018</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>Management's Response for variances greater than 10% and 10% of total</u>
<b>REVENUES</b>				
2. Direct State or Other Gov't Support	\$ 22,399,974	\$ 17,060,385	\$ 5,339,589	University management provided one-time support to the Department. Contributing factors included revenue shortfalls in ticket sales (\$589k), as well as increased expenses (vs. budget) associated with student aid (scholarships) (\$488k), coaching salaries (bonuses) (\$953k), game expenses (\$596k), direct overhead (\$1.542m), and other operating expenses (\$790k).
8. Contributions.	8,383,275	6,786,656	1,596,619	The FY18 Budget submitted by Athletics does not (will not) budget for sport restricted giving (as these gifts are one-time gifts in nature). Gifts to sports totaled \$2.091m in FY18, down from \$2.88m in FY17.
<b>EXPENSES</b>				
34. Athletic Facilities Debt Service, Leases and Rental Fee	7,637,984	6,006,126	1,631,858	The University does not budget for restricted funds (donations) as they are considered one-time in nature. As a result, funding secured for improvement projects (TDECU/Fertitta Video upgrades, Academic Center for Excellence (ACE) and improvements at the UH softball complex) are not base budgeted.

See accompanying independent accountants' report on application of agreed-upon procedures.