

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, 2019

By:

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UNIVERSITY OF HOUSTON

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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 Results of Agreed-Upon Procedures Performed on the Statement of Revenues and Expenses of the Intercollegiate Athletics Department (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, 2019. 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, 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.

BELT HARRIS PECHACEK, LLLP

Certified Public Accountants
Houston, Texas
January 15, 2020

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, 2019

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, 2019, 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 of 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.

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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, 2019 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 Exhibits D1 and D2.

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, 2019 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 Exhibits E1 and E2.

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.

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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
FOOTBALL			
UH ticketing system	\$ 2,687,971	\$ 2,683,621	\$ 4,350
MEN'S BASKETBALL			
Tickets consignment	1,263,801	1,109,240	154,561
	(154,544)	-	(154,544)
	1,109,257	1,109,240	17
WOMEN'S BASKETBALL			
	57,117	57,124	(7)
OTHER SPORTS			
Baseball	127,586	127,586	-
Soccer	2,492	2,492	-
Softball	38,470	38,499	(29)
Swimming	-	-	-
Track	17,740	17,740	-
Volleyball	11,330	12,281	(951)
	197,618	198,598	(980)
NONPROGRAM SPECIFIC	891,490	833,724	57,766 *
	<u>\$ 4,943,453</u>	<u>\$ 4,882,307</u>	<u>\$ 61,146</u>

*Upon review of the non-program specific variance, it was determined that \$56,833 of ticket sales from the Ticket Detail were deposited to the Statement using account codes that mapped to revenue categories 14 and 18, rather than ticket sales.

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.

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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 late Summer or early Fall, members receive a comprehensive orientation designed to familiarize them with SFAC's operating and budget procedures. In the later Fall, 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 covering funding for FY19, the SFAC provided Intercollegiate Athletics a base funding allocation of \$4,407,707 (equal to the FY18 base allocation). In its FY19 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 FY19 was \$4,373,323. That figure enters an Athletics cost center as revenue and is then transferred out as an expense.

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- B. We obtained a copy of the SFAC report for FY 2019 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 \$998,323 between the SFAC budget and actual amount recorded on the Statement. We noted a variance of \$569,968 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.

	SFAC Committee	Recalculated by Accountant
	<u> </u>	<u> </u>
Undergraduate student enrolment		
Fall 2018		37,369
Spring 2019		34,524
Summer 2019		<u>12,626</u>
Total recalculated enrollment	75,000 *	<u>84,519</u>
Student fee	\$ 45	\$ 45
	<u>\$ 3,375,000 *</u>	<u>\$ 3,803,355</u>
Budget approved by SFAC	\$ 4,407,707	\$ 4,407,707
Dedicated fee	\$ 3,375,000 *	\$ 3,803,355
	<u>\$ 7,782,707</u>	<u>\$ 8,211,062</u>
Actual	\$ 8,781,030	\$ 8,781,030
Variance	<u>\$ 998,323</u>	<u>\$ 569,968</u>

* 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.

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8. Direct Institutional Support

Procedure(s):

Compare the direct institutional support recorded by UH in FY 2019 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 American Athletic Conference. No exceptions were noted in applying these procedures.

11. 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.

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12. 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**13. 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.
- C. Recalculate totals for each sport and overall.

Result(s) and Finding(s):

No exceptions were noted in applying these procedures.

14. 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.

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

Procedure(s):

- A. Select a sample of support staff/administrative personnel employed by UH Athletics and related entities during the reporting period.
- B. Obtain and inspect reporting period summary payroll register for each selection. Compare and agree related summary payroll register to the related support staff administrative salaries, benefits, and bonuses paid by UH Athletics and related entities expense 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.

16. 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.

Result(s) and Finding(s):

No exceptions were noted in applying these procedures.

17. 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.

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18. 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.

19. 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.

20. 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.

Result(s) and Finding(s):

No exceptions were noted in applying these procedures.

Additional Minimum Procedures

21. 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.

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22. 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.

23. 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.

Other Reporting Items

24. 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.

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25. 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.

26. 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, 2019**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL	Below 4% of Total
REVENUES							
1. Ticket Sales	\$ 2,683,621	\$ 1,109,240	\$ 57,124	\$ 198,598	\$ 833,724	\$ 4,882,307	No
2. Direct State or Other Gov't Support	-	-	-	-	-	-	Yes
3. Student Fees	-	-	-	-	8,781,030	8,781,030	No
4. Direct Institutional Support	-	-	-	-	34,199,116	34,199,116	No
5. Less-Transfers to Institution	-	-	-	-	-	-	Yes
6. Indirect Institutional Support	-	-	-	-	4,436,765	4,436,765	No
6A. Indirect Institutional Support - Athletic Facility Debt Service	-	-	-	-	955,285	955,285	
7. Guarantees	300,000	-	12,000	10,000	-	322,000	Yes
8. Contributions	942,517	247,611	3,750	1,963,138	6,445,283	9,602,299	No
9. In Kinds	-	-	-	-	-	-	Yes
10. Compensation and Benefits Provided by 3rd party	-	-	-	-	-	-	Yes
11. Media Rights	-	-	-	-	-	-	Yes
12. NCAA Distributions	-	-	-	-	1,334,004	1,334,004	Yes
13. Conf Distributions	-	-	-	-	2,843,475	2,843,475	Yes
13A. Conference Distributions - Bowl Generated Revenues	-	-	-	-	-	-	
14. Program, Novelty, Parking and Concession Sales	347,238	155,845	6,637	37,880	364,183	911,783	Yes
15. Royalties, Licensing, Advertisement, Sponsorship	-	-	-	-	4,086,651	4,086,651	No
16. Sports Camps Revenues	-	-	-	-	-	-	Yes
17. Athletics Restricted Endowment and Investments Income.	15,011	10,526	-	40,780	176,842	243,159	Yes
18. Other Operating Revenue	22,764	9,303	-	243,177	1,511,605	1,786,849	Yes
19. Bowl Revenues	665,232	-	-	-	-	665,232	Yes
	<u>4,976,383</u>	<u>1,532,525</u>	<u>79,511</u>	<u>2,493,573</u>	<u>65,967,963</u>	<u>75,049,955</u>	
EXPENSES							
20. Athletic Student Aid	2,857,454	458,561	459,913	3,770,597	432,682	7,979,207	No
21. Guarantees	600,000	860,725	9,900	49,185	-	1,519,810	Yes
22. Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	7,105,462	5,072,698	950,731	3,302,032	-	16,430,923	No
23. Coaching Salaries, Benefits, and Bonuses Paid by a 3rd party	-	-	-	-	-	-	Yes
24. Support Staff/Admin. Compensation, Benefits and Bonuses Paid by the University and Related Entities	2,150,627	530,662	197,845	401,537	7,558,453	10,839,124	No
25. Support Staff/Admin. Compensation, benefits and Bonuses Paid by a 3rd party	-	-	-	-	-	-	Yes
26. Severance Payments	-	-	-	-	-	-	Yes
27. Recruiting	344,677	136,765	76,194	360,442	117	918,195	Yes
28. Team Travel	673,800	868,793	437,625	1,859,994	217,166	4,057,378	No
29. Sports Equipment, Uniforms and Supplies	902,450	129,822	55,415	558,878	99,977	1,746,542	Yes
30. Game Expenses	1,113,188	680,698	146,972	704,271	548,960	3,194,089	No
31. Fund Raising, Marketing and Promotion	13,580	43,284	3,451	48,823	659,045	768,183	Yes
32. Sports Camps Expenses	-	-	-	-	-	-	Yes
33. Spirit Groups	-	-	-	-	-	-	Yes
34. Athletic Facilities Debt Service, Leases and Rental Fee	-	-	-	-	5,328,608	5,328,608	No
35. Direct Overhead and Administrative Expenses	834,209	280,620	32,913	1,048,892	9,216,120	11,412,754	No
36. Indirect Institutional Support	-	-	-	-	4,436,765	4,436,765	No
37. Medical Expenses and Insurance	15,757	3,337	409	28,106	1,063,523	1,111,132	Yes
38. Memberships and Dues	3,710	1,190	1,105	4,029	17,159	27,193	Yes
39. Student-Athlete Meals (non-travel)	1,217,387	134,626	28,108	199,499	111,233	1,690,853	Yes
40. Other Operating Expenses	283,424	18,016	4,136	174,983	1,195,177	1,675,736	Yes
41. Bowl Expenses	418,933	-	-	-	-	418,933	Yes
41.A. Bowl Expenses - Coaching Compensation/Bonuses	122,883	-	-	-	-	122,883	Yes
	<u>\$ 18,657,541</u>	<u>\$ 9,219,797</u>	<u>\$ 2,404,717</u>	<u>\$ 12,511,268</u>	<u>\$ 30,884,985</u>	<u>\$ 73,678,308</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, 2019

NOTE 1: ORGANIZATION AND BASIS FOR PRESENTATION

The University of Houston Intercollegiate Athletic Department (UH Athletics) is a department of the 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.

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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>
2020	\$ 2,636,705	\$ 2,695,452	\$ 5,332,157
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>\$ 62,913,175</u>	<u>\$ 28,518,723</u>	<u>\$ 91,431,898</u>

UNIVERSITY OF HOUSTON
Schedule of Variance - Current to Prior Year - Revenues
Statement of Revenues and Expenses of the Intercollegiate Athletics Department
Year Ended August 31, 2019

REVENUES	<u>2019</u>	<u>2018</u>	<u>\$ Variance</u>	<u>Management's Response for variances greater than 10% and 10% of total</u>
4. Direct Institutional Support	\$ 34,199,116	\$ 22,399,974	\$ 11,799,142	Consistent with UH goal to be nationally relevant, UH made a sizable investment in the future of its football program (\$3.65m more year over previous) and made a similarly minded investment in its men's basketball program (\$2.69m) as a result of continued/sustained NCAA success. In addition, rather than continuing to carry expenses associated with facilities, maintenance and custodial services centrally, UH has chosen to transition those expenses to Intercollegiate Athletics (\$5.39m).
8. Contributions	\$ 9,602,299	\$ 8,386,600	\$ 1,215,699	While annual giving saw a modest increase (\$150k), giving to sport specific programs and/or projects were the primary driver of this variance. Baseball improved by \$712k, mostly in support of fixtures, furnishings, and equipment for the new baseball clubhouse. Men's basketball saw an increase of \$111k, notably to support its NCAA allowable overseas trip to Italy. Football saw an increase of \$214k to support enhancements to the program.

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

UNIVERSITY OF HOUSTON
Schedule of Variance - Current to Prior Year - Expenses
Statement of Revenues and Expenses of the Intercollegiate Athletics Department
Year Ended August 31, 2019

EXPENSES	<u>2019</u>	<u>2018</u>	<u>\$ Variance</u>	<u>Management's Response for variances greater than 10% and 10% of total</u>
22. Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	\$ 16,430,923	\$ 10,734,294	\$ 5,696,629	UH made a sizable investment in the future of its football program (\$3.65m more year over previous) and made a similarly minded investment in its men's basketball program (\$2.69m) as a result of continued/sustained NCAA success. UH also made further investment in student welfare associated with Medical Services and Sports Performance (\$341k). Finally, for the first time in several years, Athletics did participate in UH's merit based increase program for staff members (\$53k).
24. Support Staff/Admin. Compensation, Benefits and Bonuses Paid by the University and Related Entities	\$ 10,839,124	\$ 8,957,220	\$ 1,881,904	
35. Direct Overhead and Administrative Expenses	\$ 11,412,754	\$ 3,539,106	\$ 7,873,648	A review of NCAA line item category descriptions led UH Athletics management to re-classify certain expenses, most notably an increase in Direct Overhead and Administrative Expenses coming from Athletic Facilities Debt Service, Leases and Rental Fee and Other Operating Expenses. Aggregate totals for these lines in FY19 was \$17.4m while aggregate totals for these same lines in FY18 was \$16.4m. Had there not been a reclassification of expenses, the variance (per thresholds) would not be relevant.

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

UNIVERSITY OF HOUSTON
Schedule of Variance - Current to Budget - Revenues
Statement of Revenues and Expenses of the Intercollegiate Athletics Department
Year Ended August 31, 2019

REVENUES	<u>2019</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>Management's Response for variances greater than 10% and 10% of total</u>
4. Direct Institutional Support	\$ 34,199,116	\$ 16,992,711	\$ 17,206,405	Consistent with previous budget modeling, UH Athletics base budget support number remained constant at \$16.99m for FY19, with additional one-time budget afforded UH Athletics at fiscal year end. Consistent with UH goals to be nationally relevant across a broad spectrum of metrics, UH made sizable investments into the Athletics program. Notable variance contributors included: Enhanced coaching staff salary support of \$5.69m, retirement of accrued deferred compensation, payments to legacy coaches and staff merit pool increases of \$1.88m, facilities/maintenance and custodial transition to Athletics from central campus of \$5.39m and an increase in game expenses (notably attributable to opening Fertitta Center) of \$1.09m.
8. Contributions	\$ 9,602,299	\$ 6,832,139	\$ 2,770,160	The FY19 Athletics Base (perm) Budget does not budget for sport restricted giving (as these gifts are one-time gifts in nature). Gifts to sports totaled \$3.15m in FY19, accounting for the variance.

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

UNIVERSITY OF HOUSTON
Schedule of Variance - Current to Budget - Expenses
Statement of Revenues and Expenses of the Intercollegiate Athletics Department
Year Ended August 31, 2019

	2019	Budget	\$ Variance	Management's Response for variances greater than 10% and 10% of total
EXPENSES				
22. Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	\$ 16,430,923	\$ 20,804,816	\$ 6,465,231	Football staff change involving legacy payments to former coaches and increased salary support to the football program were major contributing factors. Retention of men's basketball staff, as a result of sustained national success, was a priority that did involve increased salary support to the men's basketball program and was another major contributing factor.
24. Support Staff/Admin. Compensation, Benefits and Bonuses Paid by the University and Related Entities	\$ 10,839,124	\$	\$	
35. Direct Overhead and Administrative Expenses	\$ 11,412,754	\$ 2,050,000	\$ 9,362,754	A review of NCAA line-item category descriptions led UH Athletics management to re-classify certain expenses. Notably reclassification did effect Athletic Facilities Debt Service, Leases and Rental Fees, Direct Overhead and Administrative Expenses, and Other Operating Expenses. This reclassification did impact Budget to Actual variance. In aggregate, these category actual expenses for FY19 were \$17.4m, while the base budget earmarks associated with them was \$10.5m. Contributing factors included: Reclassification of account codes from various other line items to Direct Overhead (within Sport programs) led to an increase from \$0 in FY18 to \$2.19m in FY19. Reclassification of account codes from various other line items to Direct Overhead (within Non-Sport programs) led to an increase from \$3.53m in FY18 to \$9.21m in FY19.

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