

**INDEPENDENT ACCOUNTANTS' REPORT
ON THE APPLICATION OF AGREED - UPON
PROCEDURES TO THE RECORDS OF
THE UNIVERSITY OF MISSISSIPPI
ATHLETICS
FOR THE YEAR ENDED JUNE 30, 2015**

**THE UNIVERSITY OF MISSISSIPPI ATHLETICS
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**INDEPENDENT ACCOUNTANTS' REPORT ON THE
APPLICATION OF AGREED - UPON PROCEDURES**

Jeffrey S. Vitter, Ph.D., Chancellor
University of Mississippi

We have performed the procedures enumerated below, which were agreed to by the chief executive of the University of Mississippi, solely to assist you in evaluating whether the accompanying statement of revenues and expenses of the University of Mississippi Athletic Department is in compliance with the National Collegiate Athletic Association ("NCAA") Constitution 3.2.4.15 for the year ended June 30, 2015. The University of Mississippi's management is responsible for the statement of revenues and expenses ("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 below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

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

- 1. Procedure:** We obtained and reviewed the University of Mississippi Athletics (UMA) Statement of Revenues and Expenses prepared in compliance with NCAA Constitution 3.2.4.16, footing and cross-footing for accuracy.

Finding: The Statement was accurately prepared.
- 2. Procedure:** We obtained the UMA actual report of departmental revenues and expenses, the Ole Miss Athletics Foundation (OMA Foundation) audited financial statements, and confirmations of revenues and expenses of support groups (booster clubs) on behalf of the UMA. We reconciled these reports to the UMA Statement of Revenues and Expenses.

- Finding:** We found no material variance between the reports and the amounts on the Statement.
3. **Procedure:** We obtained a reconciliation of the UMA Statement of Revenues and Expenses to the University of Mississippi Financial Summary.
- Finding:** We found no material variance between the amounts reported on the Statement and the Financial Summary.
4. **Procedure:** We obtained the UMA annual report to the Institutions of Higher Learning and compared it to the UMA report of revenues and expenses.
- Finding:** We found no material variance between the IHL report and the report of revenues and expenditures.
5. **Procedure:** We obtained the UMA schedule of long-term debt, footing and cross footing for accuracy. We obtained the UMA amortization schedule for the retirement of debt, recalculating the amounts.
- Finding:** We found no material variance in the schedules.
6. **Procedure:** We obtained from the UMA Ticket Office reports of tickets sold, complimentary tickets, attendance, and revenues for each athletic event. We compared the reports to the UMA Statement of Revenues and Expenses.
- Finding:** We found no material variance between the Ticket Office reports and the amounts reported on the Statement.
7. **Procedure:** We obtained an understanding of the University's methodology for allocating student fees to athletic programs. We compared documentation from the University's financial records to the amount reported on the UMA Statement of Revenues and Expenses.
- Finding:** We found no material variance between the University report and the amounts reported on the Statement.
8. **Procedure:** We compared the contracts for guaranteed contests, both home and away, to the UMA Statement of Revenues and Expenses.
- Finding:** We found no material variance between contract amounts and the amounts reported on the Statement.
9. **Procedure:** We compared a summary of revenues from OMA Foundation to UMA, for the purpose of paying salaries and benefits of UMA personnel, to the Statement of Revenues and Expenses.
- Finding:** We found no material variance between the Foundation records and the amounts reported on the Statement.

- 10. Procedure:** We compared University records of direct support to UMA to the UMA Statement of Revenues and Expenses.
Finding: We found no material variance between the records and the amounts reported on the Statement.
- 11. Procedure:** We compared documents reporting NCAA and Southeastern Conference distributions for tournament and post-season competition with the UMA Statement of Revenues and Expenses.
Finding: We found no material variance between the reports and the amounts reported on the Statement.
- 12. Procedure:** We inspected agreements related to the sale of broadcast rights. We compared amounts within the agreements to the UMA Statement of Revenues and Expenses.
Finding: We found no material variance between the amounts in the agreements and the amounts reported on the Statement.
- 13. Procedure:** We performed attribute testing on a sample of revenues for programs sales, concessions, novelty sales, and parking for accuracy in amounts reported, coding, documentation, and processing.
Finding: We found no variance in the sample.
- 14. Procedure:** We inspected agreements related to royalties, licensing, advertising, and sponsorships. We compared amounts within the agreements to the UMA Statement of Revenues and Expenses.
Finding: We found no material variance between the amounts in the agreements and the amounts reported on the Statement.
- 15. Procedure:** We performed attribute testing on a sample of revenues for royalties, licensing, advertising, and sponsorships for accuracy in amounts reported, coding, documentation, and processing.
Finding: We found no variance in the sample.
- 16. Procedure:** We performed attribute testing on a sample of revenues for revenue not reported in other categories for accuracy in amounts reported, coding, documentation, and processing.
Finding: We found no variance in the sample.
- 17. Procedure:** We compared a sample of students receiving aid to award letters, student accounts, and the UMA actual report of revenues and expenses.
Finding: We found no material variance between the letters, accounts and the report.

- 18. Procedure:** We compared a sample of coaches' contracts (including football, men's basketball, and women's basketball) to University payroll records for salaries and benefits and to the amounts reported on the UMA Statement of Revenues and Expenses.
- Finding:** We found no material variance between the contracts, records, and the amounts reported on the Statement.
- 19. Procedure:** We compared a sample of budgeted amounts for salaries and benefits for UMA employees to University payroll records for salaries and benefits and to the amounts reported on the UMA Statement of Revenues and Expenses.
- Finding:** We found no material variance between the budgets, records, and the amounts reported on the Statement.
- 20. Procedure:** We compared a sample of coaches' contracts to OMA Foundation payroll records for salaries and benefits and to the amounts reported on the UMA Statement of Revenues and Expenses.
- Finding:** We found no material variance between the contracts, records, and the amounts reported on the Statement.
- 21. Procedure:** We compared contracts of coaches receiving severance payments to University payroll records for salaries and benefits and to the UMA Statement of Revenues and Expenses.
- Finding:** We found no material variance between the contracts, records, and the amounts reported on the Statement.
- 22. Procedure:** We obtained a copy of the UMA policy for recruiting expense and compared it to the NCAA policy.
- Finding:** We found no variance between the UMA policy and the NCAA policy.
- 23. Procedure:** We obtained a copy of the UMA policy for team travel expense and compared it to the NCAA policy.
- Finding:** We found no variance between the UMA policy and the NCAA policy.
- 24. Procedure:** We performed attribute testing on a sample of expenses for equipment, uniforms, and supplies for accuracy in amounts, coding, documentation, and processing.
- Finding:** We found no variance in the sample.
- 25. Procedure:** We performed attribute testing on a sample of expenses for games for accuracy in amounts, coding, documentation, and processing.
- Finding:** We found no variance in the sample.

- 26. Procedure:** We performed attribute testing on a sample of expenses for fund raising, marketing, and promotion for accuracy in amounts, coding, documentation, and processing.
Finding: We found no variance in the sample.
- 27. Procedure:** We performed attribute testing on a sample of expenses for sports camps for accuracy in amounts, coding, documentation, and processing.
Finding: We found no variance in the sample.
- 28. Procedure:** We performed attribute testing on a sample of expenses for direct facilities maintenance and rental for accuracy in amounts, coding, documentation, and processing.
Finding: We found no variance in the sample.
- 29. Procedure:** We performed attribute testing on a sample of expenses for spirit groups for accuracy in amounts, coding, documentation, and processing.
Finding: We found no variance in the sample.
- 30. Procedure:** We performed attribute testing on a sample of medical expenses and medical insurance for accuracy in amounts, coding, documentation, and processing.
Finding: We found no variance in the sample.
- 31. Procedure:** We performed attribute testing on a sample of expenses for memberships and dues for accuracy in amounts, coding, documentation, and processing.
Finding: We found no variance in the sample.
- 32. Procedure:** We performed attribute testing on a sample of expenses for expenses not reported in other categories for accuracy in amounts, coding, documentation, and processing.
Finding: We found no variance in the sample.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying statement of revenues and expenses of the University of Mississippi Athletics. 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.

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive style with a large, stylized initial "J" and "E".

Tupelo, Mississippi
November 13, 2015

THE UNIVERSITY OF MISSISSIPPI ATHLETICS
STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2015

	<u>FOOTBALL</u>	<u>MEN'S BASKETBALL</u>	<u>WOMEN'S BASKETBALL</u>	<u>OTHER SPORTS</u>	<u>NON- PROGRAM SPECIFIC</u>	<u>TOTAL</u>
OPERATING REVENUES						
Ticket Sales	\$ 17,305,710	995,190	32,291	1,002,684		\$ 19,335,875
Student Fees					1,911,778	1,911,778
Direct Institutional Support					2,146,805	2,146,805
Less - Transfers to Institution					(2,062,831)	(2,062,831)
Guarantees	2,000,000	25,000		42,500		2,067,500
Contributions	12,069,566	1,215,041	7,744	1,939,367	6,181,231	21,412,949
In-Kind					605,368	605,368
Compensation and Benefits						
Provided by a Third-Party	51,997	14,976	17,250	61,451	58,327	204,001
Media Rights	11,403,334	3,001,927			10,735,069	25,140,330
NCAA Distributions	59,944	2,058,018	10,880	141,365	267,659	2,537,866
Conference Distributions	6,345,904	395,616	9,840	18,997	10,000	6,780,357
Program, Novelty, Parking, and						
Concession Sales	1,458,554	86,913	22,810	138,626	184,974	1,891,877
Royalties, Licensing,						
Advertisements, and Sponsorships					3,137,392	3,137,392
Sports Camp Revenues	270,518	82,108	25,210	645,958	125,346	1,149,140
Endowment and Investment Income	53,773		6,982	51,211	118,655	230,621
Other	314,051	34,102	1,781	36,631	726,926	1,113,491
TOTAL OPERATING REVENUES	\$ 51,333,351	7,908,891	134,788	4,078,790	24,146,699	\$ 87,602,519

See independent accountants' report and accompanying notes.

THE UNIVERSITY OF MISSISSIPPI ATHLETICS
STATEMENT OF REVENUES AND EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2015

	<u>FOOTBALL</u>	<u>MEN'S BASKETBALL</u>	<u>WOMEN'S BASKETBALL</u>	<u>OTHER SPORTS</u>	<u>NON- PROGRAM SPECIFIC</u>	<u>TOTAL</u>
OPERATING EXPENSES						
Athletics Student Aid	\$ 2,678,457	424,083	420,080	3,657,839	823,328	\$ 8,003,787
Guarantees	1,525,000	275,000	116,500	80,759		1,997,259
Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities	7,651,689	2,516,390	1,035,289	4,435,393		15,638,761
Coaching Salaries, Benefits and Bonuses Paid by a Third Party	27,497	10,000	12,500	50,737		100,734
Support Staff/Administrative Compensation, Benefits and Bonuses Paid by the University and Related Entities	2,310,803	529,926	332,424	965,095	9,916,945	14,055,193
Support Staff/Administrative Compensation, Benefits and Bonuses Paid by a Third Party	24,500	4,976	4,750	10,714	58,327	103,267
Severance Payments				304,754	171,197	475,951
Recruiting	474,487	138,510	146,947	432,602		1,192,546
Team Travel	1,366,600	987,221	354,291	2,063,343		4,771,455
Sports Equipment, Uniforms and Supplies	1,448,397	171,904	162,108	1,619,824		3,402,233
Game Expense	1,878,545	265,640	279,546	773,384	162,794	3,359,909
Fund Raising, Marketing and Promotion	162,254	28,802	24,598	60,567	2,157,259	2,433,480
Sports Camps	147,262	94,325	21,584	373,629	126,171	762,971
Spirit Groups		22,104		2,255	402,400	426,759
Athletic Facilities, Debt Service, Leases and Rental Fees	2,943,108	342,468	342,468	761,251	4,447,899	8,837,194
Direct Overhead and Administrative Expenses	3,014,284	254,136	178,341	722,728	6,816,155	10,985,644
Medical Expenses and Insurance	179,877	20,329	20,329	354,554	302,568	877,657
Memberships and Dues		135		5,466	50,677	56,278
Other Operating Expenses	1,207,558	313,947	141,953	644,632	2,610,730	4,918,820
Total Operating Expenses	<u>\$ 27,040,318</u>	<u>6,399,896</u>	<u>3,593,708</u>	<u>17,319,526</u>	<u>28,046,450</u>	<u>\$ 82,399,898</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>\$ 24,293,033</u>	<u>1,508,995</u>	<u>(3,458,920)</u>	<u>(13,240,736)</u>	<u>(3,899,751)</u>	<u>\$ 5,202,621</u>

See accountants' report and accompanying notes.

**THE UNIVERSITY OF MISSISSIPPI ATHLETICS
NOTES TO FINANCIAL STATEMENT**

(1) **Student/Athlete Financial Aid**

The UMA Statement of Revenues and Expenses includes only scholarships restricted in purpose to students participating in athletic programs. Financial aid awarded on the basis of other criteria, such as need or academic excellence, is not reflected in the statement.

(2) **Complimentary Automobiles**

The University does not maintain records as to the value of complimentary automobiles provided certain athletic personnel from various automobile dealers. These benefits are therefore not reflected in the UMA Statement of Revenues and Expenses.

(3) **Contributions to UMA and Expenditures on Behalf of UMA**

The University of Mississippi Athletics accepts gifts and contributions in support of the athletic program from affiliated and other outside organizations. These gifts and contributions are recorded in the University's financial records. Further, affiliated and outside organizations make expenditures on behalf of the athletic program that are not recorded in the University's financial records. Both the contributions to and expenditures on behalf of UMA are recorded in the UMA Statement of Revenues and Expenses in this report.

**THE UNIVERSITY OF MISSISSIPPI ATHLETICS
NOTES TO FINANCIAL STATEMENT (CONTINUED)**

(3) Contributions to UMA and Expenditures on Behalf of UMA (Continued)

The following schedule provides detailed information on contributions and expenditures by affiliated and outside organizations:

	<u>Football</u>	<u>Basketball (M)</u>	<u>Basketball (W)</u>	<u>Other Sports</u>	<u>Nonprogram Specific</u>	<u>Total</u>
Cash Contributions						
OMA Foundation	\$ <u>12,069,566</u>	<u>1,215,041</u>	<u>7,744</u>	<u>1,939,367</u>	<u>6,181,231</u>	\$ <u>21,412,949</u>
Total Contributions	\$ <u>12,069,566</u>	<u>1,215,041</u>	<u>7,744</u>	<u>1,939,367</u>	<u>6,181,231</u>	\$ <u>21,412,949</u>
Reconciliation to Statement of Revenues & Expenses						
Contributions	\$ <u>12,069,566</u>	<u>1,215,041</u>	<u>7,744</u>	<u>1,939,367</u>	<u>6,181,231</u>	\$ <u>21,412,949</u>
	<u>\$ 12,069,566</u>	<u>1,215,041</u>	<u>7,744</u>	<u>1,939,367</u>	<u>6,181,231</u>	<u>\$ 21,412,949</u>

**THE UNIVERSITY OF MISSISSIPPI ATHLETICS
NOTES TO FINANCIAL STATEMENT (CONTINUED)**

(4) Long-term Debt

Debt outstanding as of June 30, 2015 consisted of the following:

	Original Issue	Outstanding 6/30/2014	Issued	Principle Paid	Refinanced	Outstanding 6/30/2015
Bonds Payable						
Football Stadium	\$ 24,422,142	15,084,596		1,338,184		\$ 13,746,412
2006A Athletic Projects						
Old PPD Building	5,955,015	3,769,920		235,620		3,534,300
FedEx Center	3,970,010	2,513,280		157,080		2,356,200
Baseball	689,975	436,800		27,300		409,500
Baseball	7,190,000	5,465,000		330,000		5,135,000
South Endzone	10,125,000	-0-	10,125,000			10,125,000
Total Bonds Payable	<u>52,352,142</u>	<u>27,269,596</u>	<u>10,125,000</u>	<u>2,088,184</u>	<u>-0-</u>	<u>35,306,412</u>
Note and Contracts Payable						
1996A projects:						
Gillom Center	4,412,684	405,130		197,780		207,350
Coaches' Offices	1,286,457	118,110		57,660		60,450
Fields	1,106,629	101,600		49,600		52,000
Equipment	110,663	10,160		4,960		5,200
Football Scoreboard	7,426,682	3,323,687		782,695		2,540,992
Various Scoreboards	1,500,000	994,213		188,778		805,435
Switch Equipment	201,963	122,817		40,364		82,453
Track Facility	500,000	-0-	500,000			500,000
West SkyBox	2,565,572	-0-	2,565,572			2,565,572
Total Notes and Contracts Payable	<u>19,110,650</u>	<u>5,075,717</u>	<u>3,065,572</u>	<u>1,321,837</u>	<u>-0-</u>	<u>6,819,452</u>
OM Foundation Debt						
BS Loan	30,000,000	26,616,914		2,090,054		24,526,860
Pavilion #1	33,504,102	3,899,953	29,604,149			33,504,102
Pavilion #2	4,742,744	49,684	4,693,060			4,742,744
Total OMA Foundation Debt	<u>68,246,846</u>	<u>30,566,551</u>	<u>34,297,209</u>	<u>2,090,054</u>	<u>-0-</u>	<u>62,773,706</u>
Total long-term debt	<u>\$ 139,709,638</u>	<u>62,911,864</u>	<u>47,487,781</u>	<u>5,500,075</u>	<u>-0-</u>	<u>\$ 104,899,570</u>

**THE UNIVERSITY OF MISSISSIPPI ATHLETICS
NOTES TO FINANCIAL STATEMENT (CONTINUED)**

(4) **Long-term Debt (Continued)**

Debt service requirements to maturity for long-term debt are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 6,956,417	\$ 3,230,577
2017	7,350,195	3,021,758
2018	7,532,247	2,791,999
2019	6,873,376	2,558,649
2020	6,887,888	2,356,936
Thereafter	<u>69,299,447</u>	<u>12,365,216</u>
Total	<u>\$ 104,899,570</u>	<u>\$ 26,325,135</u>

(5) **Athletics-related Assets**

Assets are acquired by issuing a purchase requisition and then a purchase order. Purchasing laws of the state of Mississippi are followed in regards to the various dollar amount levels. The University Property Control Department receives copies of capital equipment orders to tag and locate items for inventory purposes. Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

All materials purchased for the University remain the property of the State until consumed or disposed of with the approval of the University's Property Office. The Manager of Administrative Affairs is notified when there is furniture and/or equipment items that are no longer of need to the Department. The Manager of Administrative Affairs sends a written report to the Property Officer, indicating if the items are for sale or disposal. Items to be sold are advertised by the Purchasing Department following standard procedures. Items having no sale value are sent to the University Salvage Committee for disposal.