FINANCIAL REPORTING IN DIVISION I COLLEGE ATHLETICS

by
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ABSTRACT

ANISH SHARMA: Financial Reporting in Division I College Athletics
(Under the direction of J Shaw)

The purpose of this study is to determine whether financial reporting standards used in Division I college athletics are comparable, consistent, and complete. The study compares the principles that athletics departments must use in adherence to the Department of Education's Equity in Athletics Disclosure Act (EADA) report with the principles that athletics departments must also use in the National Collegiate Athletic Association (NCAA) report. Additionally, the two reporting standards will be compared to the conceptual framework of Generally Accepted Accounting Principles (GAAP). Through surveys from Division I athletics departments throughout the country, interviews, and financial databases, the study aims to identify the problems with the EADA report and the NCAA report while offering a solution that satisfies the conceptual framework of GAAP.

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CHAPTER 1: INTRODUCTION

Do athletics departments report financial data that is comparable and consistent, and do athletics departments include all relevant and material information in the financial reports? Each year, college athletics departments are required to submit financial data to two institutes: the National Collegiate Athletics Association (NCAA) and the Department of Education, as made necessary by the Equity in Athletics Disclosure Act (EADA) of 1994. As a result, athletics departments create at least two separate reports, the NCAA report and the EADA report, and could be required to create reports for the university, state government, and athletics conference. According to the Knight Commission of Intercollegiate Athletics (2009), athletics departments "operate as semiautonomous units within the university", but "[s]ome athletic 'associations' are separately-incorporated 501(c)(3) not-for-profit corporations."

In college athletics, there are two types of revenue: allocated revenue and generated revenue (Fulks 2013). Allocated revenue consists of student fees, subsidies from the institution, including direct transfers (direct institutional support) and payments on behalf of athletics (indirect institutional support), and subsidies from state and local governments (Fulks 2013). Generated revenue consists of ticket sales, contributions, NCAA and conference distributions, licensing agreements, and other revenue sources that are not dependent upon the institution (Fulks 2013). On average, eighty percent of the revenue reported by athletics departments is generated revenue, and the remaining twenty percent of revenue is allocated revenue (Fulks 2013). Ticket sales are responsible for twenty-two percent of the total revenue, contributions are responsible for twenty-one percent of the total revenue, NCAA and conference distributions are responsible for eighteen percent of the total revenue, direct institutional support is responsible for ten percent of total revenue, and student fees, sponsorships, and other various items are responsible for the remaining twenty-nine percent of total revenue (Fulks 2013). Expenses include scholarships, salaries, travel expenses, facility expenses, recruiting expenses, game expenses, equipment expenses, and other general expenses (Berkowitz, et al. 2013; Fulks 2013). Scholarships are responsible for fifteen percent of the total expenses, salaries are responsible for thirty-four percent of the total expenses, facility expenses are responsible for fourteen percent of the total expenses, and recruiting expenses, game expenses, equipment expenses, and other various expense items make up the remaining thirty-seven percent of total expenses. (Fulks 2013). Of the 120 schools in the Division I Football Bowl Subdivision, only 23 athletics departments reported a net profit in 2011 and 2012 (Fulks 2013).

Several users of the financial statements of athletics departments exist. Along with the NCAA and Department of Education, donors, lenders, and universities use the financial statements. According to the survey administered to athletics departments (Appendix A), the financial statements are used for several reasons. One respondent stated that the goal is to "meet reporting requirements" while another respondent stated that the goal of the financial statements is "for budgeting purposes". Fifty percent of the respondents stated that the financial statements of the athletics departments for which he or she works are available online (Appendix A). Furthermore, there appear to be several guidelines that athletics departments use to create financial statements. One respondent uses “the rather broad guidelines provided by the EADA and NCAA” (Appendix A), but other respondents use Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB). One respondent states that the financial statements are “completed by an external auditor” (Appendix A).

To determine if the financial reporting in Division I college athletics is comparable, consistent, and complete, one must first understand the conceptual framework of Generally Accepted Accounting Principles (GAAP) developed by the Financial Accounting Standards Board (FASB) as it relates to financial reporting in Division I college athletics. Kieso, Weygandt, and Warfield (2012) describe the conceptual framework using three levels of accounting objectives, characteristics, and assumptions. The first level is the “objective of financial accounting” (Kieso et al. 2012). The financial information presented in the financial statements should be “useful to present and potential equity investors, lenders, and other creditors in making decisions about providing resources to the entity” (FASB 2010).

In the context of athletics department, the financial statements should show the flow of financial resources throughout the year. As government entities do not have investors, the financial statements are relevant to donors, lenders, and other creditors. Because athletics departments are part of a university, the long-term assets and long-term liabilities are normally shown on the university’s financial statements. However, as shown in Appendix A, this varies by university.

The next level of the conceptual framework “provides conceptual building blocks that explain the qualitative characteristics of accounting information and define the elements of financial statements” (FASB 2010). All financial information uses the same basic elements, such as assets, liabilities, and equity. Two types of qualitative characteristics exist: fundamental qualities and enhancing qualities. Two fundamental qualities exist: relevance and faithful representation. When financial information is complete, neutral, and free from error, the financial information is faithfully represented (Kieso et al. 2012). One aspect that the study concentrates on is the completeness of financial reports in Division I college athletics. For financial statements to be complete, the statements show “all the information that is necessary” and materially relevant (Kieso et al. 2012). When information is not complete, the users of financial statements are not able to make accurate assessments of the data. The lack of completeness can mislead the users to make decisions based on incorrect or false information.

Moreover, four enhancing qualities exist: comparability, verifiability, timeliness, and understandability (Kieso et al. 2012). Comparability allows users to “identify real similarities and differences in economic events between companies” (Kieso et al. 2012). Additionally, consistency is a form of comparability, which assures that “a company applies the same accounting treatment to similar events” (Kieso et al. 2012). Along with completeness, comparability and consistency are two aspects of this study. When information is comparability, users are able to see what makes the athletics departments different. For instance, users might able to note that a university has smaller athletics facilities because the revenue is less. Additionally, users can note the differences in expenses when athletics departments undergo similar projects. When information is comparable, users and preparers of the financial statements are able to make more knowledgable decisions regarding resource allocation. When information is consistent, a user is able to see the yearly changes of an individual athletics department. However, if information is inconsistent, the user cannot truly gauge the changes of the athletics department. Again, inconsistency can lead to improper financial decisions.

The third, and final, level contains the four assumptions of accounting, the four principles of accounting, and the two constraints of accounting (Kieso et al. 2012). The economic entity assumption, going concern assumption, monetary unit assumption, and periodicity assumption are the four assumptions of accounting (Kieso et al. 2012). Four principles of accounting exist: measurement principle, revenue recognition principle, expense recognition, or matching, principle, and full disclosure principle (Kieso et al. 2012). Lastly, the conceptual framework contains two constraints: the cost constraint and the industry practices constraint.

Chapter 2 contains the hypothesis of this study. The four following chapters will provide an analysis of the financial standards along with views of athletics departments and journalists from across the country. Chapter 3 contains the research methods and reasons for research. Selected results and analysis of the survey that was sent to 103 athletic departments in the Division I Football Bowl Subdivision are contained in Chapter 4. Chapter 5 contains an analysis and breakdown of the two reports, the EADA report and the NCAA report, that athletics departments are expected to submit. The chapter will contain the financial reporting guidelines and standards of the EADA report and the NCAA report along with comparisons and analysis of the results derived from the standards of each report. The chapter contains a comparison between the guidelines used in the two reports with the conceptual framework of GAAP. Chapter 6 covers a summary of the research and discusses further research opportunities. Appendix A contains the full survey and answers of the survey. Appendix B contains the interviews that were conducted with sports journalists. Appendix C contains a study that concentrates on the comparability and completeness of Division I financial statements.

CHAPTER 2: HYPOTHESIS

The hypothesis of this study centers upon the qualitative data found in the survey in Appendix C. This study uses an experiment to determine how the comparability and completeness of the financial statements of an athletics department affect the donor's decision to give to athletics departments. The survey uses a hypothetical situation in which the respondent decides how to allocate one thousand dollars between his or her alma mater's athletics department and academic fund.

Statement of Financial Accounting Concept No. 1 of the Financial Accounting Standards Board (FASB) states that completeness and comparability are desirable qualitative characteristics of financial statements (FASB 2010). When athletics departments prepare financial statements using relaxed, loose interpretations of reporting guidelines, the financial statements tend to lack the desirable characteristics. The lack of completeness and comparability will affect giving by donors. When financial statements of an athletics department include all relevant information, the financial statements are more comparable to a rival school. This leads to the following hypothesis: Users will give more to the athletics department when the financial statements are complete and comparable to financial statements of other universities.

CHAPTER 3: METHODOLOGY

The research methodology consists of qualitative and quantitative findings, and the methodology serves to answer three main questions. First, are athletics departments' financial statements comparable between schools? Do athletics departments interpret the rules in a similar manner? Second, are athletics departments' financial statements consistent between each fiscal year? Third, are athletics departments providing all of the relevant financial information?

Survey of Athletics Departments

Information was sought directly from athletics departments. Of the 120 institutions in the Division I Football Bowl Subdivision, the survey was sent to the 103 public institutions. To acquire this necessary information, a survey was created using Qualtrics. The survey questions and results can be found in Appendix A. The survey consists of eighteen questions. The responses to the survey are anonymous; the anonymity of the survey ensures the most genuine responses and avoids any negative repercussions for the respondent. The survey was not sent to private institutions, as those schools are not required to release financial information that is submitted to the NCAA. The study was restricted to institutions in the Division I Football Bowl Subdivision as these are the schools that are most widely known in regards to athletics, and the athletics departments have the largest budgets when compared to schools in other divisions. The financial statements of these schools are the most readily online available as well. The email addresses of the Chief Financial Officers (or equivalent position) of the athletics departments of 103 public institutions were obtained, and each of them were sent the survey. The Chief Financial Officers that responded to the surveys are kept anonymous. Twenty-four people responded to the survey, and 15 people completed the survey, a completion rate of 14.6 percent.

Interviews

Furthermore, email interviews were sent to two journalists to gain insight on the perception of financial reporting. The two journalists are Kristi Dosh, an ESPN Sports Business Reporter, and Kyle Veazey, the Deputy Sports Editor for *The Commercial Appeal*. The interviews can be found in Appendix B.

Financial Databases

Additionally, two financial databases were used. For NCAA reports, the financial database provided by *USA Today* was used. The database offers financial data for the 228 public institutes of the Division I Football Bowl Subdivision and Division I Football Championship Subdivision from 2005-2012. For EADA reports, the financial database provided by the Department of Education was used. The database offers financial data for every athletics department in the country; however, only the data of the 103 public institutes of the Division I Football Bowl Subdivision were utilized. The Department of Education's database provides financial data from 2003-2012.

Survey of Students

Finally, a survey was conducted to find out how the financial statements affect donors' decisions. The survey applies comparability and completeness to see how the donation decisions are affected. The survey utilizes students as proxies for donors and creates a statistic, number of dollars donated to athletics department divided by one thousand dollars, that helps gauge how the different scenarios affect the donation levels. The survey consists of three different treatments, and each participant is only given one treatments. Altogether, 121 subjects were given the survey, and all subjects completed the survey. The survey can be found in Appendix C, and the results can be found in Chapter 4.

CHAPTER 4: RESULTS AND ANALYSIS

A survey was sent to 103 Chief Financial Officers (or equivalent position) of public athletics departments in the Division I Football Bowl Subdivision. Twenty-four people responded to at least one question, and fifteen people completed the entire eighteen-question survey. The survey questions and responses for each question can be found in Appendix A. The survey yielded numerous conflicting answers.

First, according to Question 3, athletics departments use several different guidelines. Twenty-one people responded to this question. The responses ranged from "NCAA defined guidelines" to "requirements of GASB" to "GAAP" to "information [the Chief Financial Officer] [wants] to communicate". One respondent claimed that the financial statements are "completed by an external auditor". Of the twenty-one responses, six use GAAP or GASB, and six use EADA or NCAA guidelines, while one respondent uses both NCAA guidelines and GAAP. Although there seems to be some consistency between the majority of athletics departments, GASB and the reports created by EADA or NCAA guidelines create different figures. According to a respondent in Question 12, "[n]one of the non cash [sic] transactions are reflected on data entered on the [Department of Education's] EADA [website]." Expenses, such as depreciation expense, and future pledges are not included in the EADA report that are included in the in the financial statements submitted by 501(c)(3), or not-for-profit organizations. Furthermore, "501(c)(3) accounting also omits some cash transactions such as facility improvement expenses which are capitalized on the balance sheet," while those "transactions are recorded as expenses on the [Department of Education's] EADA website." Therefore, the EADA report and the report submitted by not-for-profit organization show two different financial positions for the same athletics department.

Second, Question 5 shows that twelve respondents of the twenty-one respondents reported having an athletics foundation. Of those twelve respondents, six respondents reported having one athletics foundation, one respondent reported having two athletics foundations, one respondent reported having thirty athletics foundation, and four respondents did not specify. An athletics department having thirty athletics foundations is an outlier. Because athletics departments vary in the number of athletics foundations, several problems exists, as highlighted in Question 6. According to Question 6, athletics departments differ in how each reports the donations and expenses of the athletics department. While some athletics departments do not count the revenues and expenses of the athletics foundations, others include all of the revenues and expenses of the athletics foundation. Additionally, some athletics departments only recognize the amount transferred to the athletics department and report that amount as contributions. The lack of comparability shows that there are no clear guidelines on the treatment of athletics foundation accounts.

Furthermore, Question 7 highlights differences in the treatment of depreciation expense. Some athletics departments use the straight-line depreciation method, but for other athletics departments, the university calculates the depreciation expense and reports the expense on the university's financial statements. The differences in reporting depreciation expense shows incomparability. By an extension, one can assume that monthly expenses, such as electricity bills, telephone bills, and Internet bills, are handled in the same manner (Upton & Brady 2005; Brady & Upton 2005).

For both Question 8 and Question 9, the survey showed that the financial statements do not determine the amount an institution gives the athletics department or the student fees allocated to athletics departments. According to Fulks (2012), the average athletics department in the Division I Football Bowl Subdivision generates twenty percent of its revenue from allocated revenue. Of the total revenue, ten percent comes from direct institutional support, or subsidies, and six percent of the total revenue comes from student fees (Fulks 2012). Therefore, for the average athletics department, eighty percent of the allocated revenue comes from direct institutional support and student fees. Although institutional subsidies and student fees are material accounts on the financial statements, it is somewhat alarming that an institution does not look at the financial statements of the athletics department to determine the monetary needs of the athletics department.

Lastly, Question 15 and Question 16 have a negative correlation. According to Question 15, ten of the fifteen respondents believe that athletics departments do not provide complete financial statements; however, according to Question 16, ten of the fifteen respondents do not believe that athletics departments could benefit from added regulation. More regulation and stricter guidelines could force athletics departments to become more complete.

Because the surveys were anonymous, the respondents were candid in the responses. The openness of the responses allowed the survey to have a true understanding of the financial reporting for an athletic department perspective. Additionally, the survey responses showed many positives and negatives about the financial reporting.

Experiment

Next, an experiment was conducted using participants as proxies for financial statement users. The experimental instrument is included in Appendix C. There were 121 participants that completed the survey. The survey consists of three groups: Equal, Plus Rival, and Plus Alma Mater. The amount of donations shown in the financial statements were manipulated for each group.

Treatments were delivered that sought to test whether users' donation levels were affected by the completeness and comparability of the reported financial statements. Financial statements from two prominent universities were condensed and manipulated for the desired conditions to be tested. In one instance, athletics departments include all donations in revenue, making the athletics departments look very profitable. In another instance, athletics departments omit some donations, making the athletics departments look like they have little or no net income. Expenses were held constant. The three treatments tested whether users' donation levels were affected by these differences in reporting.

Experimental participants were given two sets of financial statements. One set was from the alma mater, and the other set was from the rival school. In the first treatment, the financial statements of the alma mater and the rival were comparable and complete. Both of the schools included all of their donations resulting in a high net income. In the second treatment, the alma mater omitted some donations resulting in a very low net income. The rival school included all of their donations and had a high net income, just as in the first treatment. In the third treatment, the alma mater included all of their donations, and the rival school omitted some donation. As a result, the alma mater looked very profitable, and the rival school did not. These treatments were designed to test the hypothesis that users' donation levels would be impacted by incomplete and incomparable financial statements.

Subjects in each treatment were given the condensed financial statements and told they were to give one thousand dollars to their alma mater. The subjects were told to allocate the one thousand dollars between the alma mater's athletics department and the alma mater's academic fund. The prediction of the study is that the alma mater's athletics departments will receive a larger proportion of the donation when its financial statements are complete (includes all donations) and comparable with the rival school. The subjects were then asked to assess the performance of both the alma mater and the rival school. Results from the survey are shown in Table 1.

Table 1: Descriptive Statistics

	Equal	Plus Rival	Plus Alma Mater
N	40	36	45
Statistic Mean	0.3615	0.3153	0.5422
Q1	0	0.1	0.3
Median	0.3	0.3	0.5
Q3	0.5	0.5	0.9
Std. Dev.	0.3229	0.2609	0.3318
Assessment of Alma Mater	4.0250	2.8333	4.0444
Assessment of Rival	3.3333	4.0278	2.2444

The table shows that subjects give the most money to the alma mater's athletics department when the donations and net income is significantly greater than the rival's athletics department, the "Plus Alma Mater" scenario. In other words, the athletics department benefits from being complete when disclosing the financial information. When the alma mater's athletics department has significantly lower donations and net income, the "Plus Rival" scenario, the subject gives the least money to the athletics department out of the three scenarios. In this case, the lack of completeness hurts the athletics department. When the athletics departments have comparable data, the "Equal" scenario, the subject gives slightly more money to the alma mater's athletics department than in the "Plus Rival" scenario and significantly less money than in the "Plus Alma Mater" scenario. Although the "Equal" scenario yields fewer donations than the "Plus Alma Mater" scenario, the athletics departments benefit when the financial statement information is complete.

In the "Equal" scenario and "Plus Alma Mater" scenario, the subjects believe the alma mater is performing better than the rival. In the "Plus Rival" scenario, the subjects believe the rival is performing better than the alma mater is. However, the financial situation does not necessarily reflect the on-field performance of the athletics teams.

Next, a t-test and Wilcoxon test was performed to test the hypothesis. Table 2 shows the differences in Table 1 to be significant. The results in Table 2 show that there is a significant difference in donations depending on the financial data that the athletics department chooses to show. As shown in Table 2, when the alma mater's athletics department includes all donations, it will receive more donations thus supporting the hypothesis that complete financial statements result in larger donations.

Table 2: T-Test and Wilcoxon Test Results		
H_a	T-Test P-value	Wilcoxon P-value
Plus Alma Mater > Plus Rival	.0006***	.0032***
Plus Alma Mater > Equal	.0065***	.0132**
Plus Alma Mater > Plus Rival and Equal	.0003***	.0015***
***,**,* show significance at less than 0.01, 0.05, and 0.1, respectively		

CHAPTER 5: REPORTS SUBMITTED BY ATHLETICS DEPARTMENTS

Known officially as The Report on Athletic Program Participation Rates and Financial Support Data, the EADA report "was designed to make prospective students and prospective student-athletes aware of an institution of higher education's commitment to providing equitable athletic opportunities for its men and women students" (Department of Education 2012b). The report consists of the number and gender of student-athletes and coaches dedicated to each sport, along with the revenues and expenses of each sport (Department of Education 2012b). According to the Equity in Athletics Disclosure Act, "[a]ny coeducational institution of higher education that participates in Title IV, the federal student aid program, and has an intercollegiate athletics program" must publish the data by October 15, and the data must be submitted to the Secretary of Education by October 31 through an online survey (Department of Education 2012b). The financial data that is submitted to the Department of Education does not require a review by an independent auditor or the institution's president or chancellor (Department of Education 2012b). The Department of Education also requires that the total revenue of the athletics department should be greater than or equal to the total expenses of the athletics department (Department of Education 2012b). This stipulation requires athletics departments to distribute the revenue from profit-generating sports to nonrevenue-generating sports.

In addition to the EADA report, each institution must submit financial data to the National Collegiate Athletic Association in accordance with Constitution 3.2.4.16 of the

2012-2013 NCAA Division I Manual. Constitution 3.2.4.16 states, "An institution shall submit financial data detailing operating revenues, expenses and capital related to its intercollegiate athletics program to the NCAA on an annual basis in accordance with the financial reporting policies and procedures" (NCAA Academic and Membership Affairs Staff 2012). Additionally, an independent auditor must use agreed-upon procedures to verify the financial data of the athletics department, and the president or chancellor must review the data before an online submission to the NCAA on January 15 of each year (NCAA Academic and Membership Affairs Staff 2012; National Collegiate Athletic Association 2010). Even though the EADA and NCAA report goes to separate entities, Upton and Brady (2005) found that "[t]he NCAA collects an even more detailed financial report from its member schools, which is used to generate the EADA report for schools."

To understand the differences between the EADA report and the NCAA report, one must first understand the definitions that each report uses for revenues and expenses. The EADA report defines revenues and expenses as any money that "was attributable to the institution's intercollegiate athletic activities" (Department of Education 2012b). The revenue and expense section should not include pledges, capital assets, debts related to capital assets, or money received or paid through indirect support (Department of Education 2012b). While the EADA report takes a restricted approach to financial data, the NCAA report takes a broad approach. The NCAA report includes "[a]ll expenses and revenues for or on behalf of an institution's intercollegiate athletics program, including those by any affiliated or outside organization, agency, or group of individuals," capital assets, capital expenditures, and pledges (NCAA Academic and Membership Affairs Staff 2012).

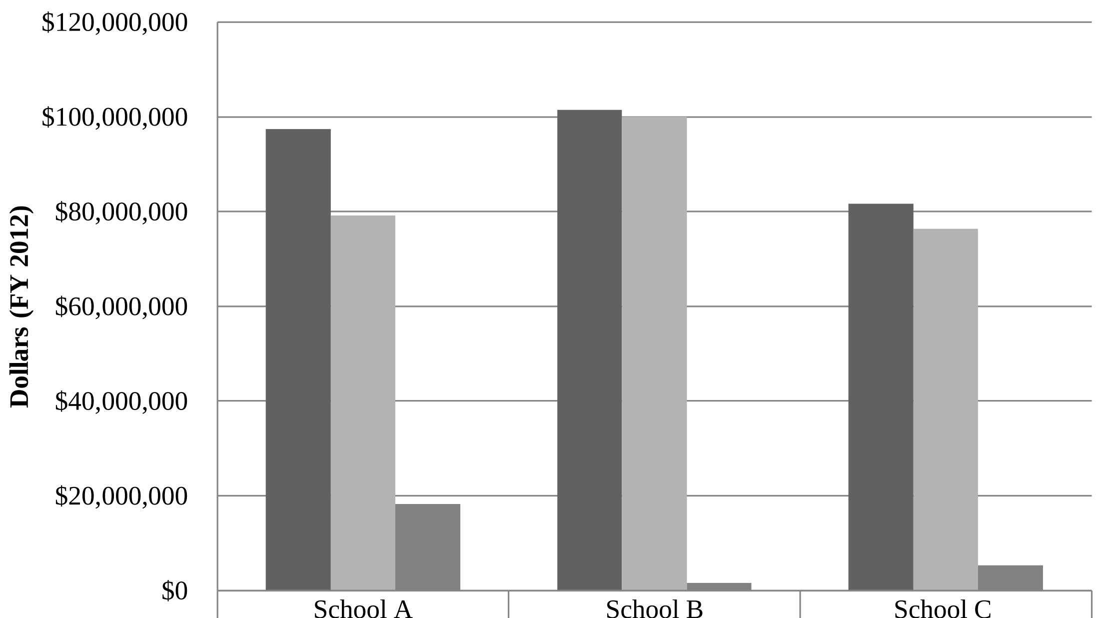
The Department of Education notes that the financial data, although similar, does not provide similar results as the calculations and definitions vary between the NCAA report and the EADA report (Department of Education 2012b). Interestingly, Question 14 of the survey (Appendix A) shows that twelve of the nineteen respondents, or sixty-three percent, report the same numbers to each institute. For this to occur, an athletics department must not have any debt related to capital assets. Additionally, the athletics department must also pay for all of its expenses, receiving no indirect support. In addition to the two stipulations, the athletics department must not have an athletics foundation, as the EADA report essentially wants revenues and expenses of only the athletics department. However, according to Question 5, twelve of the twenty-one respondents, or fifty-seven percent, reported having an athletics foundation. The answers from Question 14 and Question 5 do not agree with each other.

Several critics of the EADA report exist. Brady and Upton (2005) state that "many college administrators and athletics directors generally dislike their obligation to declare financial information under the Equity and Athletics Disclosure Act". College administrators believe "it's a lot of time and effort to create a report with weird accounting rules that don't reflect real budgets and is often inaccurate" (Brady & Upton 2005). In 2005, Upton and Brady found that roughly thirty four percent of the EADA reports for 2004 fiscal year had an error, ranging from a few dollars to a thirty four million dollar mistake. Moreover, Upton and Brady (2005) write, "Schools complain that the reporting wanders too far from standard accounting practices and has little to do with how athletic departments function." School administrators believe that the EADA report also does not ensure comparability, even though the report is meant for prospective students and student-athletes to compare schools (Upton & Brady 2005). Upton and Brady highlight that "some schools pay the athletic department's electricity bill and can't break out athletics' share, let alone the portion for women's teams," and due to this technicality, some schools include the electricity bill, while others do not. The same example can be used for the telephone bill, Internet bill, and other utilities. Brady and Upton (2005) go on to say that "the information is supposed to serve as a comparison between institutions when no comparison is actually possible because different schools use different accounting practices." In addition to using odd accounting principles, administrators believe that creating the EADA report is too costly, and the costs outweigh the benefits (Brady & Upton 2005). In Question 12 of the survey (Appendix A), one respondent claims that the EADA report does not provide "meaningful information" since debt on capital assets is not included in the report.

Critics are not singular to the EADA report; several critics of the NCAA report exist as well. In Question 11 of the survey (Appendix A), one respondent states the information in the NCAA report "could not be more useless". The respondent goes on to claim every athletics department has flexibility in reporting their financial figures as there are no guidelines such as GAAP. Additionally, the respondent states that some athletics departments "want to show a massive surplus to the public" while others "have a mandate to be at or near break-even." Furthermore, the respondent asserts that "comparability and consistency amongst schools even in our own conference is an impossibility." Revenues from parking, concessions, and merchandise sales also create problems for financial reporting (Kelderman 2008). Athletics departments have difficulty in allocating and separating these revenues "due to the variety of arrangements that colleges make with their sports programs about that revenue" (Kelderman 2008). However, not all the respondents are against the NCAA report. One respondent, according to Question 11 of the survey (Appendix A), states that the NCAA report "is an accurate reporting of departmental revenue and expenses."

Some critics blame the lack of completeness of the reports. The Knight Commission on Intercollegiate Athletics (2010) wants the NCAA to publish the financial reports online. Currently, *USA Today* has an online database with the NCAA financial figures that were obtained through the Freedom of Information Act from each athletics department; the NCAA does not release the financial statements voluntarily. The Knight Commission on Intercollegiate Athletics (2010) also suggest using independent auditors to improve the accuracy and comparability of the financial statements. Likins (2005) declares that "much remains to be done in establishing common standards for financial reporting and developing the culture of completeness necessary for effective financial management." Likins (2005) credits the problem to a lack of standards and clear categories for revenues and expenses. In the interview with Kyle Veazey (Appendix B), he questions, "And what if a school has a private foundation that owns some of their high-dollar contracts? That may or may not be included in the reporting."

To get a better grasp on the comparability, consistency, and completeness of financial reporting, quantitative research was conducted using the databases available through the Department of Education and *USA Today*. First, the study determines if the EADA report is comparable. In Figure 1, three schools in the same athletic conference with approximately the same enrollment size were compared. Although this is just one example, several of these cases exist. On the surface, School A seems the most profitable; however, the vast difference in profit is due to one reason, the expenses of capital assets and the debt associated with it. School B and School C did not have any expenses of capital assets or debt associated with it, while School A had a significant amount. In fact, in the NCAA report, School A reported a net loss. Therefore, EADA report is not comparable as it leaves out crucial data that affect the financial position of the athletics department. Furthermore, the stipulation for athletics departments to report zero profit or greater creates a problem when comparing individual sports. Due to the requirement, athletics departments must distribute profit from revenue-generating sports, such as football and men's basketball, to nonrevenue-generating sports, such as track and field and softball. As a result, the requirement creates a poor comparison, as some sports are essentially required to report fictitious revenues.



	School A	School B	School C
Revenues	$97,415,941	$101,490,339	$81,631,252
Expenses	$79,130,558	$99,962,504	$76,378,522
Profit	$18,285,383	$1,527,835	$5,252,730

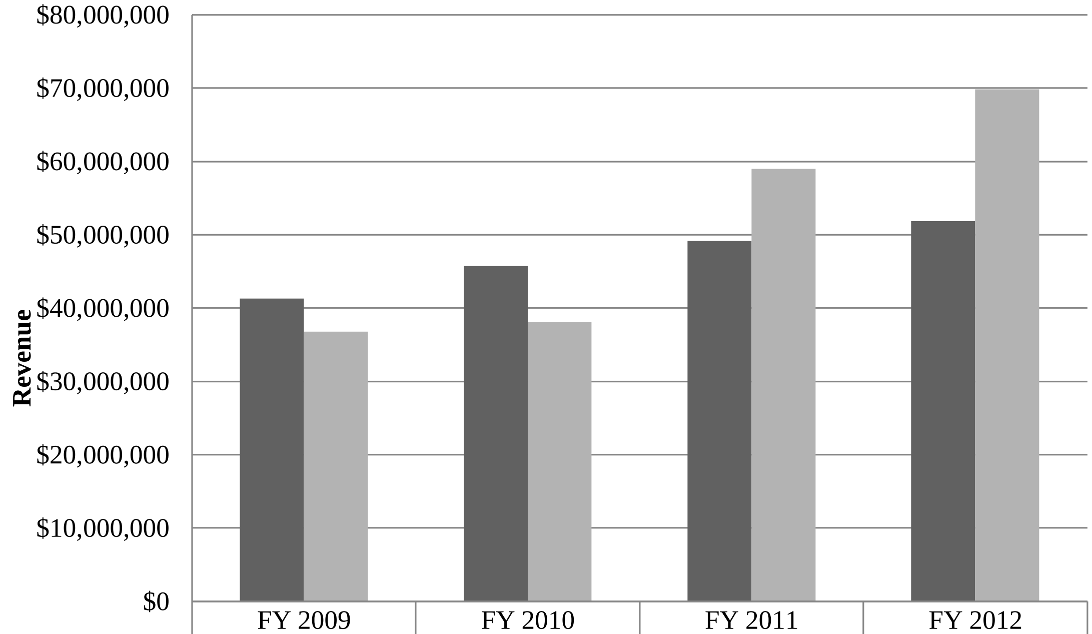
Figure 1: Comparisons Using EADA Report

Data Source: Department of Education, 2012a

Next, the study determines if the EADA report is consistent between each fiscal year for one school. Using revenues, an inconsistency was not found. The consistency between each school year can be attributed to the fact that the EADA report uses no third party reporting. Therefore, revenues from athletics foundations and indirect support from institutions are not included. Additionally, expenses on capital assets and debt expense associated with capital assets are not included in expenses. As a result, the expenses remain somewhat consistent throughout the year.

Finally, the EADA report is not complete. The report does not provide the entire financial standing of the athletics department. The report leaves out crucial information regarding expenses related to capital assets. Additionally, the absence of indirect support and revenues from athletics foundation creates an even bigger gap between the EADA report and the true financial standing of the athletics department.

Similar to the EADA report, the study researches the comparability of the NCAA report. In Figure 2, the athletics departments of almost identical schools in the same athletics conference are compared. During fiscal years 2009 and 2010, both athletics departments used their respective athletics foundations as a way to break-even. In fiscal years 2009 and 2010, the NCAA report offers comparability. However, in fiscal year 2011, School B started reporting all of the contributions from the athletics foundation, significantly increasing the revenue of the athletics department. Now, the NCAA report does not offer comparability. There are many cases similar to this one. Schools without an athletics foundation must report all contributions made to the athletics departments, whereas schools with athletics foundations have a choice on how to report the contributions. As a result, the NCAA report does not offer comparability.

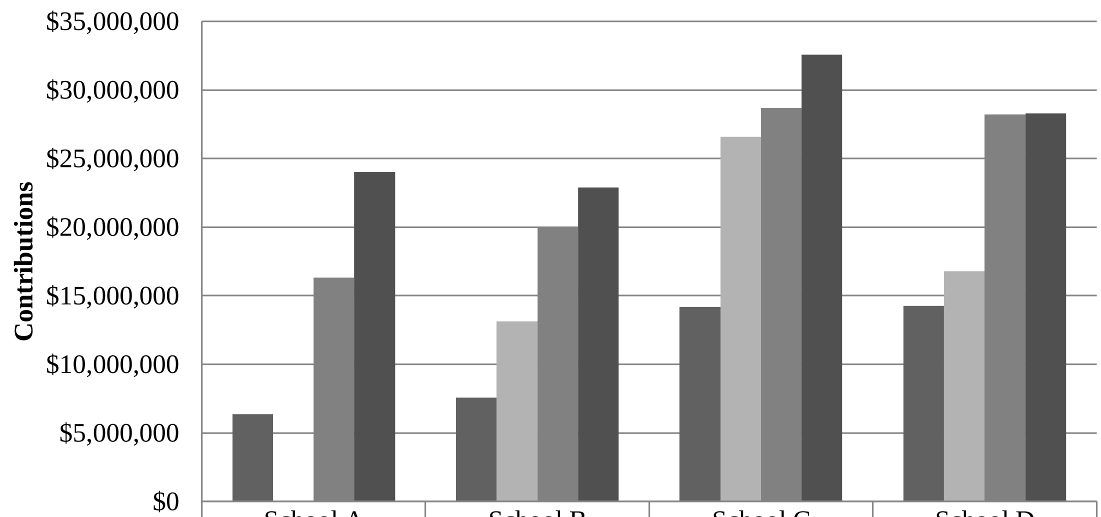


	FY 2009	FY 2010	FY 2011	FY 2012
School A	$41,290,128	$45,737,904	$49,180,892	$51,858,993
School B	$36,772,199	$38,127,591	$58,981,769	$69,828,880

Figure 2: Comparisons Using NCAA Report

Data Source: Berkowitz, et al. 2013

Next, the study tests the consistency of the NCAA report. Similar to the comparability test, contributions of four athletics departments across four fiscal years are recorded, as shown in Figure 3. In fiscal year 2009 and 2010, School A uses the athletics foundation as a way to break-even. In fiscal year 2011 and 2012, School A reports all of the revenues from the athletics foundation. School B and School C are similar in their reporting methods. In fiscal year 2009, both schools used the athletics foundation to break-even; however, starting in fiscal year 2010, both schools started reporting all of the contributions from the athletics foundation. School D, as opposed to School A, School B, and School C, reported all of the contributions from the athletics foundation. As Figure 3 shows, the NCAA report allows for inconsistencies due to the lax and broad reporting guidelines.



	School A	School B	School C	School D
FY2009	$6,383,579	$7,586,392	$14,166,960	$14,265,682
FY 2010	$0	$13,124,745	$26,601,241	$16,781,073
FY 2011	$16,332,138	$19,962,964	$28,671,113	$28,224,908
FY 2012	$24,030,641	$22,907,002	$32,580,273	$28,312,576

Figure 3: Consistency Using NCAA Report

Data Source: Berkowitz, et al. 2013

Lastly, the NCAA report is not complete. Schools are able to essentially hide revenues and expenses in the athletics foundations or use the athletics foundation to break-even, instead of reporting the entire figure that is available to the athletics department. Although the NCAA report does a slightly better job of enforcing completeness, it still leaves out crucial financial information. For example, schools with private athletics foundations, as Kyle Veazey brought up in his interview, may not be included in the financial information.

Furthermore, the study compares the guidelines used in the EADA report and the NCAA report with the conceptual framework of GAAP. First, both the EADA report and the NCAA report leave out material aspects in the financial statements. For the EADA report, expenses related to capital assets and debt related to those assets are not included in the report. Additionally, indirect and third party support is not included. For the

NCAA report, schools are able to report all, some, or none of the support from athletics foundations. Some athletics departments that break-even leave out a significant portion of donations from athletics foundations. Next, the EADA report and NCAA report do not faithfully represent the current financial situation of the athletics departments. Neither reports are complete, as both reports leave out crucial information, such as the expense on capital assets and donations from athletics foundations. Additionally, the EADA report is not free from error as shown by Upton and Brady (2005). As shown in Figure 1 and Figure 2, the EADA report and NCAA report do not ensure comparability among schools. Moreover, both reports violate the full disclosure principle. In both reports, significant, relevant, and material financial information is absent. Finally, the EADA report violates the cost constraint, as shown by Brady and Upton (2005). One might argue that the differences are a result of industry practices. However, athletics departments interpret the rules differently; the athletics departments are not treating the same issue in the same manner. The treatment of issues such as donations from athletics foundations and reporting the cost of electricity is up to the discretion of the athletics department. As a result, the EADA report and the NCAA report are in violation of the conceptual framework of GAAP.

Using the qualitative and quantitative research methods, the study determines that the EADA report is not comparable and complete, but the report seems to be consistent. The NCAA report is not comparable, consistent, and complete. Both of the reports are in violation of the conceptual framework of GAAP. To become comparable, consistent, and complete and agree with the conceptual framework of GAAP, the reports needs to have clear guidelines that do not allow several different interpretations. According to Question

18 of the survey (Appendix A), athletics department want "more specific guidelines." In addition, one respondent states that the "reporting needs to be well defined and include apples to apples comparisons in accordance with GAAP." From answers to the survey, the consensus is that standardized guidelines that consolidate the needs of the EADA report and the NCAA report, creating a new report that can offer comparisons among schools. To achieve this goal, more strict guidelines are needed along with interpretations of those guidelines. With more specific guidelines, athletics departments will not be able to interpret rules in different ways. As a result, one report with specific guidelines should allow more comparability, consistency, and completeness among athletics departments.

CHAPTER 6: CONCLUSION

The purpose of this study was to determine if the EADA report and the NCAA report are comparable, consistent, and complete. The study uses articles, financial databases, interviews, and surveys with athletics departments to come to a conclusion. The financial databases are available on the Department of Education's website and *USA Today*'s website. The Department of Education database contains the EADA reports, and the *USA Today* database contains the NCAA report. With the information from the financial databases, the study compared the information among athletics departments and determined if the information in the database is consistent. Kristi Dosh, an ESPN Sports Business Reporter, and Kyle Veazey, the Deputy Sports Editor of *The Commercial Appeal* were interviewed. An eighteen question survey was sent to the 103 public institutions of the Division I Football Bowl Subdivision. The respondents of the survey remained anonymous.

After using the qualitative and quantitative findings, the study determines that the EADA report is not comparable and complete, although the EADA report appears to be consistent. The NCAA report is not comparable, consistent, and complete, and both of the reports are in violation of the conceptual framework of GAAP. The study uses the information from articles, the surveys, and the financial databases to come to this conclusion. The evidence from Figure 1 shows that the EADA report is not comparable. The evidence from Figure 2 shows that the NCAA report is not comparable, and the evidence from Figure 3 shows that the NCAA report is not consistent. As a result, both of the reports are not complete, as it is the athletics departments' discretion to release certain information, such as donations from athletics foundation. Table 1 and Table 2 show that users donate more money to athletics departments when the financial information is complete. To satisfy GAAP, more specific guidelines need to be created. The specific and stricter guidelines will help ensure comparability, consistency, and completeness, as athletics departments will be forced to use less discretion.

Some weaknesses of the research exist. First, the study does not touch on the general fund expense line in the NCAA report. The expense line is the amount of money that the athletics department gives back to the university's general fund. This expense line has created a significant amount of debate. Athletics departments give universities a certain percentage of money made on licensing agreements. However, many people dispute who actually owns the licensing rights, the athletics departments or the universities. Additionally, an athletics department may give more to its university than another athletics department. As a result, athletics departments report different figures in this line item, and this creates a great problem with comparability and consistency. Second, the opinion of the lenders of athletics departments is not taken into account.

The research of this study leads to future research as well. First, one can conduct a study on the number of prospective students and prospective student-athletes that look at the EADA report. Findings could support the purpose of the EADA report, or the findings could provide another reason to consolidate the EADA report and the NCAA report. Next, one can conduct a study on the subsidies given to the athletics department and create a formula based on the actual need of the athletics department. Currently, some athletics departments generate profits, but still take subsidies from the university, while other athletics departments rely heavily on subsidies. A formula could create a more efficient allocation of subsidies given to each athletics department.

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APPENDICIES

APPENDIX A: SURVEY OF ATHLETICS DEPARTMENTS

1. What are the goals of your financial statements?

Text Response
To provide information for internal department heads as to their financial position for the year. Help make decisions for future budget development.
NCAA and Department of Education Reporting Requirements
To fairly and accurately present the financial results of our athletics department for the fiscal year.
To provide a complete financial picture of the Division of Athletics at any point in time.
Communicate information to on our finances to select groups.
Provide accurate and timely reporting of revenue and expense
TO REFLECT THE MOST ACCURATE REVENUES AND EXPENSES FOR OUR SCHOOL
Format in which they are prepared is to meet the University's reporting requirement.
Present fairly, in all material respects, the financial position of the entity in comformity with US GAAP
To show the financial results of our fiscal year operations and the financial strength of our Athletics Department.
Properly reflect year end financial position of Athletic Association and provide past years' and future years' financial events.
Accountability and transparency
To support our sports programs in a fiscally responsible way...so each program can have an opportunity to be as competitive as possible within our conference, regionally and nationally. To manage our revenues and expenses effectively and efficiently so goals can be achieved..with the objective of controlling expenses so that annual revenues cover expenditures.
To report the financial stability of the program
NCAA required Agreed Upon Procedures
To provide financial information on a monthly basis for administrators and coaches.
To comply with federal law and bond covenants. In addition, it provides history for planning/analysis purposes
Meet reporting requirements
To assure stakeholders (donors, lenders, the NCAA etc.) that the statements are accurate
To provide an accurate snapshot of our Athletic Department's financial position
To present an all-encompassing financial picture of the department.
Present fairly the Association's financial condition and operating activities.
Provide summary review of department finances, combining sources and uses from the different athletic accounts.
For budgeting purposes

Statistic	Value
Total Responses	24

2. Are the financial statements of your athletics department available online?

#	Answer		Response	%
1	Yes		12	50%
2	No		12	50%
	Total		24	100%

3. What guidelines do you use to create the financial statements?

Text Response
Provide information that the user can control - ie exclude salary and benefits, facility rental exp (predetermined expense for the year)
NCAA defined categories
In general, I adhere to the rather broad guidelines provided by the EADA and NCAA.
We are a zero-based budget organization. We build the budget both revenue and expenses from the ground up and then monitor where we stand on an ongoing basis.
What information I want to communicate.
The guidelines for our University financial reports are different from EADA and NCAA reporting requirements
WE TRY TO FOLLOW A STRUCTURE SIMILAR TO THAT OF THE NCAA EADA REPORT
Requirements of GASB
GAAP
As a 501(c)3 non profit organization we are required to follow GASB 35 and GASB 39 when preparing our audited financial statements. We also follow directives established by our external auditors.
Completed by an external auditor
Our guidelines for financial information is based on generating thorough and comprehensive information in a format that provides the university, conference office and NCAA with the specific data they need on a monthly/quarterly/ annual basis. Additionally we seek to develop a significant historical compilation of data...so that accurate comparisons can be analyzed...and daily/monthly business decisions can be made quickly and with greater degrees of confidence.
Our financials are prepared by the university
NCAA AUP
GASB
GAAP, GASB
Reporting guidelines of various agencies.
NCAA Agreed Upon procedures and GAAP
The detailed guidelines provided by the NCAA.
GAAP & GASB
NCAA Agreed upon procedures as starting point with adjustments based on the needs of the University and state.

Statistic	Value
Total Responses	21

4. Do you look at the financial statements of other athletics departments when creating financial statements?

#	Answer		Response	%
1	Yes (Explain)		3	14%
2	No		18	86%
	Total		21	100%

Yes (Explain)
We periodically review financial statements prepared by other athletic departments that are classified as 501(c)3.
We do constant comparisons to our other conference institutions, regional schools and other university's of similar size and/or demographics.
Review NCAA EADA reports as well as info on OCR website

5. Does your school have an athletics foundation?

#	Answer		Response	%
1	Yes (Specify how many)		12	57%
2	No		9	43%
	Total		21	100%

Yes (Specify how many)
One
1
ONE
1
30
1
2
1

6. How do you account for donations and expenses to the athletics foundations in the financial statements of your athletics department?

Text Response
a seperate analysis is provided for these funds.
A matching amount of contributions and expenses are reported when foundation funding is spent, in the same manner the university reporting is handled.
We prepare three financial statements at the end of each fiscal year - the Division of Athletics; The Foundation activity not reflected in the regular statement; and a combined statement.
We do not. We only recognize funds transferred from the foundation to the university financial system.
N/A
They are part of the University System so they are not included as "operations" but they are pulled in for the annual EADA report.
Athletics foundation is a separate entity. Transfers recorded as contributions
Everything is on the cash basis (no pledges). We don't have a foundation so all Development operations flow through our Financial operations.
Accounting for the athletic development arm is not separated from accounting for the entire athletic association. Athletic development and expenses roll into the final audited financial statements prepared by the Athletic Association.
At our university the UW Foundation is a separate organization that does all fundraising for the entire university...no just athletics. Gifts and endowments for athletics are summarized (including available expendable funds) through monthly reports provided by the foundation. The university and the foundation have "sister accounts" - one at the university level and the other at the Foundation. Expenses are recorded at the university account level...and then a transfer of funds are requested from the corresponding Foundation account to cover the amount of the expenditures.
By sport
They are not counted
We give administrators and coaches a quarterly income statement, as well as a monthly account balance.
Donations run through the university's foundation and transferred to athletics as requested. We show operating expenses from fundraising as a general operating expense of athletics.
Included.
N/A
They are included just like any other revenues and expenses.
Shown as Contributions
Create journal entries for total donations and total expenses for all athletic accounts at Foundation (athletics is part of University foundation) to be included in Oracle sub-ledger to combine all athletic accounts.

Statistic	Value
Total Responses	19

7. How do you determine depreciation expense on athletics facilities?

Text Response
not reported to users. university handles depreciation calculation of all facilities
Value provided by university financial reporting staff.
All depreciation and capital expense accounting is done at the Central University level.
We rely on University accounting to handle all depreciation expenses for facilities as these expenses are not recorded on the books of the Division of Athletics.
University completes this process
University Accounting Department provides calculations
This is done at the University level
straight-line over the estimated useful lives of assets.
This is determined by the university. They are calculated differently on each building.
The utilization of long lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Capital assets are recorded at cost. Depreciation is recorded on a straight line basis over estimated useful lives of the respective assets as follows: furniture and equipment (5 years), scoreboards (15 years), property / improvements (thirty years or length of debt service), football / baseball stadium (fifteen years)
Depreciation expenses are maintained and recorded at the university level. The university's Facility Planning and Real Estate office report these...and they are included in the annual financial reports of the university...which are externally audited annually.
Yes, the university does
University accounts for depreciation expense as they also capitalize the assets on the University side
N/A
Straight line method
Based on University calculations.
According to University guidelines
The central campus capital asset management group manages the accounting on capital assets.
Uss straight-line method over the estimated useful lives of assets.
Straight line method

Statistic	Value
Total Responses	20

8. Do your financial statements determine the amount that your institution gives your athletics department?

#	Answer		Response	%
1	Yes		4	20%
2	No		16	80%
	Total		20	100%

9. Does it affect student fees allocated to college athletics?

#	Answer		Response	%
1	Yes		3	15%
2	No		17	85%
	Total		20	100%

10. To what institutes do you report?

#	Answer		Response	%
1	NCAA		19	100%
2	Department of Education		19	100%
3	Other (Please specify)		5	26%

Other (Please specify)
Conference, University, Open Records, etc
University and Mountain West Conference Office
External and Internal Auditors
Financial and credit institutions
Intercollegiate Athletic Council, University Senate

11. Explain the process you use to create and submit financial information for the NCAA survey. Is it useful information? Does it ensure comparability and consistency?

Text Response
work paper is created allocating GL expenses and categorizing appropriately.
Our budgets and financial reporting as handled during the course of the year are more valuable to us and university management in evaluating our business in an ongoing manner than reports compiled several months after the year is over. We use a programmer developed report to regorganize the previous year's financial figures into the NCAA categories, as well as complete a large number of journal entries to sort expenditures by sport and convert non-cash transactions to revenue and expense. This report does help somewhat with comparability between institutions, but seems to be used mainly by reporters.
Quite honestly, the information could not be more useless. Because there are no hard and fast documented guidelines (i.e. GAAP), every school has quite a bit of flexibility in presenting their numbers as they wish. Some schools may want to show a massive surplus to the public; others have a mandate to be at or near break-even. Some schools' athletics debt service is accounted for at the athletic department level; others have it a the Central level; others have a combination of the two. As a result, comparability and consistency amongst schools even in our own conference is an impossibility. I could literally tick off 10 different areas off the top of my head around the inconsistencies of this reporting. Even within the revenue and expense categories themselves, schools have complete flexibility as to how they report...some schools report revenue sharing on the revenue side as a "negative" Conference Distribution or "negative" Ticket Sales whereas others choose to report it as an Expense.
Each financial transaction that we process we attach a specific "project code". This object code aligns with the NCAA report and the Department of Education reports. We download the transactions into excel and then we run reports using the project code. This allows us to run reports in many ways providing information based on the request and need.
We answer the questions they ask. It does not ensure comparability and consistency.
This is an accurate reporting of departmental revenue and expenses
Pull in all operating info as well as trades, allotments, out of state waivers, foundations, boosters and gift-in-kinds.
Reports forwarded to NCAA for EADA report deviate from audited financial statements to assure only cash based transactions are reflected in the data, and assure the net income (loss) reflected on the report reflects the athletic associations actual cash performance during the fiscal year. 501(c)3 accounting involves recording several non cash entries as revenues and expenses, to include pledges of future donation and depreciation. None of the non cash transactions are reflected on data entered on the NCAA's EADA web site. 501(c)(3) accounting also omits some cash transactions such as facility improvement expenses which are capitalized on the balance sheet. These transactions are recorded as expenses on the NCAA's EADA website. This method ensures comparability and consistency.
We maintain a separate accounting system that we run parallel to the university's accounting system. The budgetary transactions are reconciled between the two systems

monthly to verify accuracy. We also do a quarterly cash flow analysis that compares our current budgetary results to the last two to three years in all major categories (university allocations, NCAA distributions, self generated revenues and expenditures by sport/support area). We have to report our quarterly results and budget projections to a Fiscal Integrity Committee and to a larger group called the Athletic Planning Committtee (appointed by the university President). Also, we have annual audits from an external audit group that tests and verifies our processes and procedures and financial reporting results. From these methods and reports...we take our financial information and put it in the format that is requested by the NCAA/Department of Education/University/Conference...and submit it. In my opinion, it is not always fully comparable because each survey or report is seeking the information in a format that allows their organization to utilize and analyze it for their specific objectives. Also, just like your question on facility depreciation...some universities capture and report this information at the university level and others disburse these expenses to the operating units (including the athletics departments). Comparing one institution to another...could show skewed financials...based on how many of these categories are managed differently.
Must of the information is the same, however benefits are included in the NCAA survey and not the DOE. In addition, the DOE are unaudited figures.
We build the NCAA AUP report from scratch as it differs significantly from how we report internally on a month to month basis using GAAP principals
Financial data is taken from our accounting software and the information is compiled according to the NCAA survey. The data provided within the survey is consistent within our institution, however comparable to other institutions is yet to be determined.
Detailed look at all accounts and transactions, allocating them to the proper category as defined by the NCAA. There is comparability and consistency.
Categorize revenues and expenses according to the NCAA's definitions and enter on the NCAA's reporting website
Use consolidated sub-ledger in Oracle with all athletic accounts mapped to correspond to the definitions of the NCAA AUP. Audit is based on this sub-ledger. Report is useful and provides good framework for review of multiple years for department. Comparability with other University reports is limited. Each University has enough leeway with definitions to determine different allocation strategies. It is an improvement over prior surveys.

Statistic	Value
Total Responses	15

12. Explain the process you use to create and submit financial information for the Department of Education survey. Is it useful information? Does it ensure comparability and consistency?

Text Response
work paper is created allocating GL expenses and categorizing appropriately
Since the NCAA requires reporting at a more detailed level, those financials are generated first and then combined into the EADA report. A set of excel worksheets provided by the NCAA has EADA tabs with formulas that route the NCAA info into the EADA format. I also have to remove revenues and expenses related to debt payments, since the EADA instructions say to exclude, yet the NCAA wants us to include those expenses in the facilities category.
Very similar to concerns above for the NCAA report.
See above
We answer the questions they ask. It is useful in the sense that it provides are public document we can provide the media when the inquire about our budget. It does not ensure comparability and consistency.
I believe this report does not provides meaningful information; debt services is not inlcuded
same as above
Reports forwarded to DOE for EADA report deviate from audited financial statements to assure only cash based transactions are reflected in the data, and assure the net income (loss) reflected on the report reflects the athletic associations actual cash performance during the fiscal year. 501(c)3 accounting involves recording several non cash entries as revenues and expenses, to include pledges of future donation and depreciation. None of the non cash transactions are reflected on data entered on the DOE's EADA web site. 501(c)(3) accounting also omits some cash transactions such as facility improvement expenses which are capitalized on the balance sheet. These transactions are recorded as expenses on the DOE's EADA website. This method ensures comparability and consistency.
Same explanation as above.
Must of the information is the same, however benefits are included in the NCAA survey and not the DOE. In addition, the DOE are unaudited figures.
See above
Financial data is taken from our accounting software and the information is compiled according to the Department of Education survey. The data provided within the survey is consistent within our institution, however comparable to other institutions is yet to be determined.
Same process as above.
Utilize information provided by the NCAA reporting website and enter on EADA reporting website
Use consolidated sub-ledger in Oracle with all athletic accounts mapped to correspond to the definitions of the NCAA AUP. The submission date for OCR report is before Audit is completed, so there are usually some changes made to the final NCAA report. Report is less useful due to the timing of the report. Comparability and consistency is no better than NCAA report.

Statistic	Value
Total Responses	15

13. Explain the process you use to create and submit financial information for any other institute that you use.

Text Response
depends upon the request from each area
Same explanation as above
Financial data is taken from our accounting software and the information is compiled according to external and internal audit requests. The data provided within the survey is consistent within our institution, however comparable to other institutions is yet to be determined.
Use same methods as outlined above. They are provided the NCAA report when finalized. During the year, the reports are based on NCAA report.

Statistic	Value
Total Responses	4

14. Do you report the same numbers to each institute?

#	Answer		Response	%
1	Yes		12	63%
2	No		7	37%
	Total		19	100%

15. In your opinion, are athletics departments being fully transparent on financial statements?

#	Answer		Response	%
1	Yes		5	33%
2	No		10	67%
	Total		15	100%

16. Could athletics departments benefit from added regulation?

#	Answer		Response	%
1	Yes		5	33%
2	No		10	67%
	Total		15	100%

17. Is there anything else you wish to tell me about your financial reporting?

Text Response
I don't think the EADA is a valid report as it makes you report a zero profit despite your actual performance. changes should be made to accurately reflect what happened in that reporting year.
Again, the NCAA and EADA reports are generally not used internally to manage our business. We have our own system of funds, accounts, and budgets monitored on a monthly basis and adjusted through a formal budget request process in coordination with the Office of Budget and Financial Planning. This office also does our formal reporting to the universitty Board of Visitors on a quarterly basis. Therefore, we already are very clear about our financial status before we ever begin working on NCAA and EADA reports. All sports are supported by all of our revenue sources in general, and even our student fee is a planned revenue source in our budget supporting athletic department programs in general, not to be treated as a "subsidy" to any specific group of sports.
No.
No
No.
No
not at this time
No
Having current (updated) financials and as much historical and comparative (previous years) information as possible allows for quick and effective business decisions to be made. Confident decision making...that can be done without extended research periods...allows an institution to respond in today's fast paced, ever changing landscape.
No
Good luck!
N/A
No.
No
none

Statistic	Value
Total Responses	15

18. Do you have any suggestions that could make the process of creating and submitting financial information to several institutes easier?

Text Response
make reporting requirements more standard. current definitions are too vague and left to interpretation. what we report may not be the same way another institution has determined as appropriate reporting.
One report that satisfies both EADA and NCAA reporting goals.
For one, one combined EADA/NCAA report would be extremely helpful, both from the information provided and the time and effort needed to compile two separate reports. And two, we need some hard and fast reporting guidelines so that when the outside world wishes to look at these statements and attempt to do school-to-school comparisons, the reader of the statements knows he/she is comparing apples to apples.
NCAA financial statement and the EADA Department of Education should be the same!~!!!! and due at same time which is January 15th so that the external audits required by the NCAA can be completed.
Ask consistent questions. Create one template that can be provided to multiple institutes. Be more specific on what they are looking for and provide opportunity to include all relevant expenses and revenues.
No, the primary issue is individual universities report expenses differently
have a set reporting structure that doesn't compare apples to oranges
Athletic departments, particularly larger ones are constantly asked to complete surveys or perform analyses as part of FOIA requests. Along with that there are several required reports, such as NCAA and DOE EADA reporting that these departments must do annually. Anything that could be done to reduce the amount of reporting required, particularly considering most schools' financial statements are required to be completed by state law and are available publically, would be appreciated.
We have struggled with trying to "standardize" financial reporting within our conference for years. Every year it is a topic for discussion between the financial managers at various institutions. As conferences realign and membership changes...it becomes even more challenging. Institutions from around the country do their financial reporting differently. Sometimes it is based on university reporting regulations/expectations, state government reporting requirements and even regulations and allowances between private and public institutions. Standardize as many areas as possible and identify the areas that cannot be standardized so that these can be identified when variances appear during comparisons.
More specific guidelines
Reporting needs to be well defined and include apples to apples comparisons in accordance with GAAP
Having one acceptable format for collecting all financial data.
Don't do it. At a minimum, only report to the NCAA.
No
Consistency of submission dates and terminology/definitions between OCR and NCAA reports would be helpful. Refining definitions would improve comparability between Universities.

Statistic	Value
Total Responses	15

APPENDIX B: INTERVIEWS

INTERVIEW WITH KRISTI DOSH

1. What is your perception towards the financial statements of individual NCAA teams? (Are they accurate? Do you think they truly represent the financial status of the athletics department? etc.)

There are at least three different kinds of financials for athletic departments: 1) the Equity in Athletics Data Analysis (EADA) report they file annually with the US Department of Education, 2) a disclosure they file annually with the NCAA, and 3) audited financial statements. The numbers you'll find on each are a little different, because each has different reporting standards. It's not that any are technically "inaccurate," just that the reporting standards vary. Even when a category has the same name on two or more of the reports, it may not mean the same thing. I think in order to understand an athletic department's true financial situation, you have to look at a combination of all three and have discussions with the preparer to determine how they completed the report and how they interpreted each category.

2. Do other writers share your perception? Explain.

I think there's really a range from reporters who don't know that one or more of these reports exist to those who review all three and understand them reasonably well. I think most would say they're not entirely accurate. Again, I don't think they're inaccurate, I just think they can be misread if you don't know how the preparer interpreted the instructions and categories.

3. To which institute(s) must athletic departments report their financial statements?

See answer to #1.

4. With the current structure of financial reporting in college athletics, do you believe that the financial statements offer a fair comparison between the athletics departments? Explain.

It's definitely not a perfect comparison, because preparers interpret the categories and instructions somewhat differently. The only way you can accurately compare is if you talk to each school you're comparing and find out how they categorize the line items you're looking to discuss.

5. Are you aware of any problems with the financial reporting or financial standards of college athletics? If yes, explain.

Ideally, it would be great if the rules/instructions were more detailed and eliminated the different interpretations. I'm not sure if I'd say that's a "problem" though, because the point of these financial statements aren’t necessarily meant to serve as a method of comparing institutions to one another.

6. If you are aware of any problems, what is your solution to fix the problems?

The instructions could be more detailed with regards to how things are attributed to each category to allow for reporting to be completed more uniformly.

7. Is there anything else you would like to add?

No.

INTERVIEW WITH KYLE VEAZEY

1. What is your perception towards the financial statements of individual NCAA teams? (Are they accurate? Do you think they truly represent the financial status of the athletics department?)

They are great at presenting the financial status of each individual school. They're not as great -- though not completely useless -- at presenting fair comparisons. Sport-by-sport numbers are often not apples and oranges. And what if a school has a private foundation that owns some of their high-dollar contracts? That may or may not be included in the reporting. I tend to use comparisons very carefully, and with plenty of disclaimer.

2. Do other writers share your perception? Explain.

I'm not sure. I see a lot of comparisons presented as fact that I think could be better explained. Again, I'm not for completely throwing them out. Just that there needs to be more context.

3. To which institute(s) must athletic departments report their financial statements?

As I understand it, there's an Equity in Athletics Act filing that each school must make to the federal government, and a document that each school must present to the NCAA.

4. With the current structure of financial reporting in college athletics, do you believe that the financial statements offer a fair comparison between the athletics departments? Explain.

Would probably refer back to Nos. 1 and 2 for this answer.

5. Are you aware of any problems with the financial reporting or financial standards of college athletics? If yes, explain.

I wouldn't say there are problems. Clearly, each financial reporting approach is deemed best used for that school, and whether it lends itself to comparisons by journalists and researchers is probably a lesser priority for the schools.

6. If you are aware of any problems, what is your solution to fix the problems?

Would refer to No. 5.

7. Is there anything else you would like to add?

No.

APPENDIX C: SURVEY OF STUDENTS

SURVEY: "EQUAL"

You have decided to donate $1,000 to your alma mater, but you are unsure how to allocate the money between the university's athletics department and the university's academic fund. While trying to decide, you searched and found the following financials for your alma mater and a rival school.

Alma Mater		Rival	
Revenue		Revenue	
Ticket Sales	$12,128,579	Ticket Sales	$11,958,999
TV Contracts	$24,125,000	TV Contracts	$24,125,000
Merchandise	$8,345,694	Merchandise	$8,144,655
Donations	**$10,490,389**	**Donations**	**$10,019,304**
Net Income	$7,890,343	Net Income	$7,458,590

Please allocate the entire $1,000 in the best way you see fit.

Allocated to athletics department	Allocated to academic fund

Rate the performance of the alma mater (Circle number):

Poor		Average		Good
1	2	3	4	5

Rate the performance of the rival (Circle number):

Poor		Average		Good
1	2	3	4	5

Gender (Circle):
Female Male

SURVEY: “PLUS RIVAL”

You have decided to donate $1,000 to your alma mater, but you are unsure how to allocate the money between the university's athletics department and the university's academic fund. While trying to decide, you searched and found the following financials for your alma mater and a rival school.

	Alma Mater		Rival
Revenue		Revenue	
Ticket Sales	$12,128,579	Ticket Sales	$11,958,999
TV Contracts	$24,125,000	TV Contracts	$24,125,000
Merchandise	$8,345,694	Merchandise	$8,144,655
Donations	**$1,889,650**	**Donations**	**$10,019,304**
Net Income	$242,656	Net Income	$7,458,590

Please allocate the entire $1,000 in the best way you see fit.

Allocated to athletics department	Allocated to academic fund

Rate the performance of the alma mater (Circle number):

Poor		Average		Good
1	2	3	4	5

Rate the performance of the rival (Circle number):

Poor		Average		Good
1	2	3	4	5

Gender (Circle):

Female Male

SURVEY: “PLUS ALMA MATER”

You have decided to donate $1,000 to your alma mater, but you are unsure how to allocate the money between the university's athletics department and the university's academic fund. While trying to decide, you searched and found the following financials for your alma mater and a rival school.

Alma Mater		Rival	
Revenue		Revenue	
Ticket Sales	$12,128,579	Ticket Sales	$11,958,999
TV Contracts	$24,125,000	TV Contracts	$24,125,000
Merchandise	$8,345,694	Merchandise	$8,144,655
Donations	**$10,490,389**	**Donations**	**$1,865,542**
Net Income	$7,890,343	Net Income	$384,321

Please allocate the entire $1,000 in the best way you see fit.

Allocated to athletics department	Allocated to academic fund

Rate the performance of the alma mater (Circle number):

Poor		Average		Good
1	2	3	4	5

Rate the performance of the rival (Circle number):

Poor		Average		Good
1	2	3	4	5

Gender (Circle):

Female Male