

**WINTHROP UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
ROCK HILL, SOUTH CAROLINA**

**Independent Accountants' Report On
Applying Agreed-Upon Procedures
June 30, 2018**

WINTHROP UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
For the Year Ended June 30, 2018

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Independent Accountants' Report On
Applying Agreed-Upon Procedures

Dr. Daniel F. Mahony, President
Winthrop University
114 Tillman Hall
Rock Hill, South Carolina 29733

We have audited the financial statements of Winthrop University as of and for the year ended June 30, 2018, and have issued our unmodified opinion thereon under the date of September 14, 2018. At your request, we have also performed the procedures described below which were agreed to by the Board of Trustees and management of Winthrop University, solely to assist these users in evaluating whether the accompanying Statement of Revenues, Expenditures and Transfers of Winthrop University is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.15 for the fiscal year ended June 30, 2018. The Statement of Revenues, Expenditures and Transfers of Winthrop University Intercollegiate Athletics Program and related note disclosures was not audited or reviewed by us. Management is responsible for Winthrop University's compliance with the requirements of NCAA Bylaw 3.2.4.15, the Intercollegiate Athletics Program's financial records, internal controls and compliance with applicable laws, rules and regulations. This engagement to apply agreed-upon procedures 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.

The procedures and associated findings are as follows:

Procedures Related to the Statement of Revenues, Expenditures and Transfers

1. We obtained the Statement of Revenues, Expenditures and Transfers of Winthrop University Intercollegiate Athletics Program and related note disclosures for the year ended June 30, 2018, as prepared by accounting management of the University and shown on page 11 in this report. We recalculated the mathematical accuracy of the amounts on the statement, traced the individual line item amounts from the statement to management's worksheets and compared the amounts on management's worksheets to the accounts in the University's general ledger.

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2. We compared each major revenue and expense accounts in the Statement of Revenues, Expenditures and Transfers to prior period amounts. We obtained and documented our understanding of any significant variations. If a specific reporting category total (specific line items of revenues and expenses) is less than 4.0% of the total revenues or total expenses, no procedures were performed for that specific category.
 - We compared each major revenue and expense account over 10% of the total revenues and total expenditures to prior period amounts. We obtained and documented our understanding of any variations over 10%. We obtained the following explanations from the University's athletic management regarding the reasons for the variances.

	<u>2017</u>	<u>2018</u>	<u>% Change</u>
Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities	\$ 2,040,241	2,269,622	11.2%

Support Staff/Administrative Salaries, Benefits & Bonuses Paid by the University and Related Entities 11.2%

Increase in SC fringe benefits; 2% merit pay increase for all FTE's; we added 2 Temporary Full-time staff positions with retirement and health benefits for total salaries/benefits of approximately \$90k; we added 1 part-time position for total salaries/benefits of approximately \$14k; we added bonus pay incentives to 3 FTE's. Finally in '16-'17 we had 2 FTE's that went unfilled the majority of the year

We found no exceptions as a result of this procedure.

3. We inquired of management the specific elements of the University's internal control unique to the Intercollegiate Athletics Program's accounting system and financial reporting.

We found no exceptions as a result of this procedure.

Receipts

- We compared and agreed a sample of operating revenue receipts obtained from the revenues general ledger to adequate supporting documentation. The sample of the individual receipts selected for comparison is as follows:

<u>Document Number</u>	<u>Date</u>	<u>Amount</u>
DP000850	8/29/2017	\$ 2,564.74
DP000864	10/11/2017	410.00
DP000921	4/25/2018	827.00
DP000903	2/26/2018	113.00
DP000883	12/19/2017	700.00
DP000900	2/15/2018	840.00
DP000857	9/22/2017	66.00
DP000914	4/2/2018	400.00
DP000914	4/2/2018	400.00
DP000851	8/31/2017	150.00
DP000933	6/18/2018	1,250.00
DP000920	4/23/2018	3,500.00
DP000900	2/15/2018	1,500.00
DP000882	12/15/2017	2,000.00
DP000869	10/27/2017	5,000.00
DP000846	8/15/2017	2,000.00
DP000835	7/13/2017	2,725.00
J0028312	6/30/2018	3,111.58
DP000927	5/22/2018	3,316.75
DP000882	12/15/2017	3,521.93
DP000914	4/2/2018	3,727.11
DP000876	11/22/2017	3,932.29
DP000876	11/22/2017	4,137.46
J0028165	6/30/2018	4,342.64
DP000936	6/25/2018	4,547.82

We found no exceptions as a result of this procedure.

REVENUES

Student Fees

1. We compared and agreed the student fees reported by the University in the statement for the reporting period to student enrollments during the same reporting period and recalculate the totals.

We found no exceptions as a result of this procedure.

2. We obtained and documented our understanding of the University's methodology for allocating student fees to intercollegiate athletics programs.

We found no exceptions as a result of this procedure.

Direct Institutional Support

1. We compared the direct institutional support recorded by the University during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculated the totals.

We found no exceptions as a result of this procedure.

Indirect Institutional Support

1. We compared the indirect institutional support recorded by the University during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculated the totals.

We found no exceptions as a result of this procedure.

NCAA Distribution

1. We compared the amounts recorded in the revenue and expense reporting to the general ledger detail for NCAA distributions and other corroborative supporting documents and recalculated the totals.

We found no exceptions as a result of this procedure.

EXPENSES

Athletic Student Aid

1. We obtained a listing from the University detailing institutional student aid recipients for the year. We selected a sample of 26 students (10% of the total student-athletes).
2. We obtained the individual student account detail for each selection and compared the total aid allocated from the related aid award letter to the student's account detail.
3. We performed a check of each student selected to ensure their information was reported accurately in the NCAA's Compliance Assistant (CA) software using the following criteria:
 - a. The equivalency value for each student-athlete in all sports, including head-count sports, needs to be converted to a full-time equivalency value. The full-time equivalency value is calculated using the athletic grant amount reported on the Calculation of Revenue Distribution Equivalencies Report (CRDE) from CA as the numerator and the full grant amount which is the total cost for tuition, fees, books, room and board for an academic year as the denominator.
 - b. Grant-in-aid is calculated by using the revenue distribution equivalencies by sport and in aggregate.
 - c. Other expenses related to attendance should not be included in the grants-in-aid revenue distribution equivalencies.
 - d. Full grant amount should be entered as full year of tuition, not a semester or quarter.
 - e. Student-athletes are to be counted once and should not receive a revenue distribution equivalency greater than 1.00.
 - f. Athletic grants are valid for revenue distribution purposes only in sports in which the NCAA conducts championship competition, emerging sports for women and bowl subdivision football.
 - g. Grants-in-aid are valid for revenue distribution purposes in NCAA sports that do not meet the minimum contest and participants' component.
 - h. Institutions providing grants to student-athletes listed on the CRDE as "Exhausted Eligibility (fifth year) or "Medical" receive credit in the grants-in-aid component.
 - i. The athletic aid equivalency cannot exceed maximum equivalency limits. However, the total revenue distribution equivalency can exceed minimum equivalency limits due to exhausted eligibility and medical equivalencies.
 - j. If a sport is discontinued and the athletic grant(s) are still being honored by the institution, the grant(s) are included in student athlete aid for revenue distribution purposes.
 - k. All equivalency calculations should be rounded to two decimal places.

EXPENSES, continued

- l. If a selected student received a PELL Grant, we verified that the student's grant was not included in the calculation of equivalencies or the total dollar amount of student athletic and expense for the institution.
 - m. If a selected student received a PELL Grant, we verified that the student's grant was included in the total number of and total value of Pell Grants reported for Revenue Distribution purposes in the NCAA Membership Financial Reporting System.
4. We recalculated the totals for each sport and overall.

Exception:

1. 3 out of 5 student-athletes for which the Institution is providing grants listed on the CRDE as "Exhausted Eligibility (fifth year) or "Medical" appear to not be receiving credit in the grants-in-aid component.

Management's Response:

This information is gathered by our NCAA Compliance staff. Human error attributed to the oversight of Exhausted Eligibility students not being identified on the CRDE and the Squad List.

Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

1. We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period. We selected a sample of coaches' contracts from the listing. We ensured that our sample includes coaches' from men's and women's basketball.
2. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period.
3. We obtained and inspected payroll summary registers for the reporting year for each selection. We compared and agreed payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period.
4. We compared and agreed the totals recorded to any employment contracts executed for the sample selected and we recalculated the totals.

We found no exceptions as a result of these procedures.

EXPENSES, continued

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

1. We obtained a listing of support staff/administrative salaries, benefits and bonuses paid by the University and related entities for the year ended. From the listing, we selected a sample of support staff/administrative personnel.
2. We obtained and inspected reporting period payroll summary registers for each selection. We compared and agreed the related payroll summary registers to the related support staff administrative other compensation and benefits expense recorded by the University in the statement during the reporting period and we recalculated the totals.

We found no exceptions as a result of these procedures.

Disbursements

1. We obtained the general ledger accounts for recruiting expense, team travel expense, equipment, uniform and supplies, game expense, medical expense, and other operating expense. We compared the total expense reported to the statement.
2. We selected a sample of transactions (see below) to validate the existence of the transactions and the accuracy of recording and recalculated the totals.
3. We obtained and documented our understanding of the University's team travel policies. We compared the existing University and NCAA related policies to determine if they were in agreement.
4. For the selected expenses, we obtained the related disbursement package to determine the items required by University's procurement policy were included and that the expense had been authorized in accordance with the University's policy.

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EXPENSES, continued

The sample of the individual disbursement selected for testing is as follows:

<u>Vendor</u>	<u>Document Number</u>	<u>Date</u>	<u>Amount</u>
Southeast Toyota Finance	I1801415	8/28/2017	\$ 300.00
JTB1003932249 STx Adm Sep pd Oct17	J0025874	10/13/2017	70.26
Chrysler, Robert Clinton.	I1806591	2/1/2018	8,000.00
Academy Bus LLC	I1805275	12/13/2017	1,125.00
JTB Wire AAussie MBB TT0717	J0025269	7/31/2017	1,989.90
Blankenship, Julika Ann.	I1806445	1/30/2018	300.00
Pinson, Tobias Lee.	I1804516	11/17/2017	400.00
Hepburn, Danielle Sheree.	I1801158	8/18/2017	300.00
Winthrop University Cashiers Office	I1800783	8/8/2017	50.00
JLW Rev PP PCS2055 0612 Orbitz	J0025032	7/11/2017	21.99
Kloman, Edward Brian.	I1809568	5/1/2018	142.20
Smith, Spencer Leet.	I1805313	12/14/2017	96.00
PCS3872-1003-FEDEXOFFICE 0001798	PF000145	1/16/2018	110.17
OrthoCarolina PA	I1805880	1/9/2018	900.00
Verizon Wireless	I1808641	4/5/2018	76.16
Sanz, Terri	I1807542	3/5/2018	125.00
Network Controls & Electric Inc	I1810246	5/24/2018	5,968.85
K-Mart Corporation	I1809604	5/2/2018	28.23
K-Mart Corporation	I1804738	11/28/2017	25.91
Varsity Athletic Apparel Inc	I1807407	2/28/2018	1,877.37
Adidas America Inc	I1803744	10/27/2017	426.74
Adidas America Inc	I1800704	8/3/2017	786.23
Adidas America Inc	I1802270	9/18/2017	140.12
Barnes & Noble College Booksellers	I1808001	3/16/2018	376.74
Ping	I1801882	9/7/2017	318.75

We found no exceptions as a result of these procedures.

Team Travel

1. We obtained documentation of the University's team travel policies.
2. We compared and agreed the existing institutional- and NCAA-related policies.
3. We obtained the general ledger detail and compared to the total expenses reported and recalculated the totals.

We found no exceptions as a result of these procedures.

Game Expenses

1. We obtained the general ledger detail and compared to the total expenses reported. We selected a sample of transactions to validate the existence of transactions and the accuracy of recording and we recalculated the totals.

We found no exceptions as a result of these procedures.

EXPENSES, continued

Indirect Institutional Support

1. We tested Indirect Institutional Support with the revenue section- Indirect Institutional Support.

We found no exceptions as a result of these procedures.

Outside Organizations

1. We obtained from management a list of all outside organizations not under the University's accounting control that have as its principal or one of its principal purposes is generating resources for or on behalf of the University's Intercollegiate Athletics Program or the promotion of the program. We obtained a copy of the outside organization's audited financial statements.
2. We compared the amount received from this outside organization to the amount recorded in the general ledger and on the statement.

We found no exceptions as a result of these procedures.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

In order for NCAA to place reliance on the financial reporting for NCAA distribution purposes, we performed the following procedures:

1. For Grant-in-Aid: We compared the sports sponsored reported in the NCAA membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from Compliance Assistance (CA) or equivalent supporting equivalency calculation from the institution. The NCAA membership Financial Reporting System populated the sports from the NCAA Membership Database as they are reported by the institution. If there is a discrepancy in the sports sponsored between the NCAA Membership Financial Reporting System and the CRDE or equivalent supporting equivalency calculation, we inquired about the discrepancy and report the justification in the AUP report.
2. For Sport Sponsorship: We obtained the Institution's Sport Sponsorship and Demographics Form Report for the reporting year. We validated that the countable sports reported by the institution meet the minimum requirements set forth by Law 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum contest requirement. Post season contest are not countable toward the contest requirements. Once countable sports were validated, we ensured that the institution has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Reporting System. If applicable, any discrepancies were resolved within the NCAA Membership Financial Reporting System prior to the report being submitted to the NCAA.
3. For Pell Grants: We agreed the total number of Division I student-athletes who, during the academic year, received a Pell Grant award and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the institutions financial aid records, of all student-athletes Pell Grants.

EXPENSES, continued

Exception:

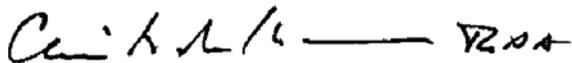
1. We were not able to reconcile the initial Pell Grant information reported on the NCAA Membership Financial Reporting System to the report provided by the University.

Management's Response:

The Athletic Business Office will work more closely with the Office of Financial Aid to reconcile the Pell Grant awards.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on compliance with NCAA Bylaw 3.2.4.15 or the expression of an opinion on The Statement of Revenues, Expenditures and Transfers of the Intercollegiate Athletics Program of Winthrop University for the year ended June 30, 2018, and, furthermore, we were not engaged to express an opinion on the effectiveness of the internal controls over compliance with the laws, rules and regulations. Therefore, we express no 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 Board of Trustees and management of Winthrop University and is not intended to be and should not be used by anyone other than these specified parties.



January 10, 2019
Gaffney, SC

WINTHROP UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
Statement of Revenues, Expenditures and Transfers
For the Year Ended June 30, 2018
(Unaudited)

REVENUES	Men's Basketball	Women's Basketball	Other Sports	Nonprogram Specific	Total
Ticket Sales	\$ 62,390	6,107	10,684	-	\$ 79,181
Direct State or Other Government Support	-	-	-	-	-
Student Fees	990,888	527,143	2,526,928	2,158,930	6,203,889
Direct Institutional Support	411,101	409,287	2,328,216	180,776	3,329,380
Less-Transfers to Institution	(79,999)	(15,841)	(220,417)	-	(316,257)
Indirect Institutional	174,729	92,954	445,588	608,101	1,321,372
Indirect Institutional-Athletic Facilities Debt Service	-	-	-	142,032	142,032
Guarantees	378,500	27,000	16,600	-	422,100
Contributions	46,916	5,599	55,254	250,551	358,320
In-Kind	-	-	-	439,800	439,800
Compensation and Benefits Provided by a Third Party	-	-	-	-	-
Media Rights	-	-	-	-	-
NCAA Distributions	-	-	-	946,542	946,542
Conference Distributions	-	-	-	1,500	1,500
Program, Novelty, Parking, and Concession Sales	-	-	-	29,085	29,085
Royalties, Licensing, Advertisements and Sponsorships	4,500	-	-	354,289	358,789
Camp Revenues	-	-	-	2,193	2,193
Athletics Restricted Endowment and Investment Income	-	-	-	-	-
Other Revenues	-	-	114,496	82,929	197,425
Total Revenues	\$ 1,989,025	1,052,249	5,277,349	5,196,728	\$ 13,515,351
EXPENDITURES					
Athletic Student Aid	\$ 620,769	604,614	3,174,011	58,200	4,457,594
Guarantees	37,000	1,000	13,054	-	51,054
Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	681,995	342,610	1,595,587	-	2,620,192
Coaching Other Compensation and Benefits Paid by a Third Party	-	-	-	-	-
Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities	128,368	38,566	-	2,102,688	2,269,622
Support Staff/Administrative Other Compensation and Benefits Paid by a Third Party	-	-	-	-	-
Severance Payments	-	-	-	-	-
Recruiting	50,916	23,799	56,909	5,511	137,135
Team Travel	142,333	87,337	566,376	100,151	896,197
Equipment, Uniforms and Supplies	39,049	17,537	224,377	99,627	380,590
Game Expenses	70,196	32,388	96,598	709,936	909,118
Fund Raising, Marketing and Promotion	-	-	-	19,721	19,721
Sports Camp Expenses	-	-	-	-	-
Spirit Groups	-	-	-	17,389	17,389
Athletic Facilities Debt Services, Lease and Rental Fee	-	-	-	142,032	142,032
Direct Overhead and Administrative Expenses	-	-	-	-	-
Indirect Institutional Support	174,729	92,954	445,586	608,101	1,321,372
Medical Expenses	4,330	750	1,050	274,699	280,829
Membership Dues	310	2,087	5,950	41,799	50,146
Student-Athlete Meals (non-travel)	12,836	2,556	2,611	35,958	53,961
Other Operating Expenses	45,392	20,933	60,147	208,523	334,995
Total Operating Expenses	\$ 2,008,223	1,267,131	6,242,258	4,424,335	\$ 13,941,948
Excess (Deficiencies) of Revenue					
Over (Under) Expenses	\$ (19,198)	(214,882)	(964,909)	772,393	\$ (426,597)

SEE ACCOMPANYING NOTES TO STATEMENT OF REVENUES, EXPENDITURES AND TRANSFERS

WINTHROP UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
Notes to the Statement of Revenues, Expenditures and Transfers
June 30, 2018
(Unaudited)

NOTE 1-CONTRIBUTIONS

Contributions and gifts to Winthrop University's Intercollegiate Athletics Program totaled \$798,120. This amount is reported in the Statement of Revenues, Expenses and Transfers with the following captions:

Contributions	\$ 358,320
In-Kind Gifts	439,800
	<u>\$ 798,120</u>

Individual contributions which exceeded 10 percent of the total contributions and the related donors included in the above amounts are as follows:

Winthrop Foundation	\$ 358,320
	<u>\$ 358,320</u>

NOTE 2-INTERCOLLEGIATE ATHLETICS - RELATED ASSETS

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Winthrop University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expense in the year in which the expense was incurred. The total estimated book value of plant and equipment, net of depreciation, for Athletics is \$10,138,761 compared to the institution total of \$100,818,950.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The University has selected a useful life of 25 to 50 years for buildings, renovations and land improvements. The useful life for machinery, equipment and vehicles varies between 2 and 25 years depending on the asset. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period. During the year ended June 30, 2018, there were no material capitalized interest costs incurred.

Fiscal Year 2018 Additions by Sport:

<u>Athletic Facilities</u>	<u>Basketball</u>	<u>Other</u>	<u>Total</u>
Additions	\$ -	14,721	14,721
Deletions	-	-	-

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INTERCOLLEGIATE ATHLETICS PROGRAM
Notes to the Statement of Revenues, Expenditures and Transfers
June 30, 2018
(Unaudited)

NOTE 3- INTERCOLLEGIATE ATHLETICS - RELATED DEBT

Intercollegiate Athletics Debt
Annual Maturities

		2001 Ath Fac Rev Bonds
2019	\$	136,524
2020		131,016
2021		125,508
Total	\$	<u>393,048</u>