

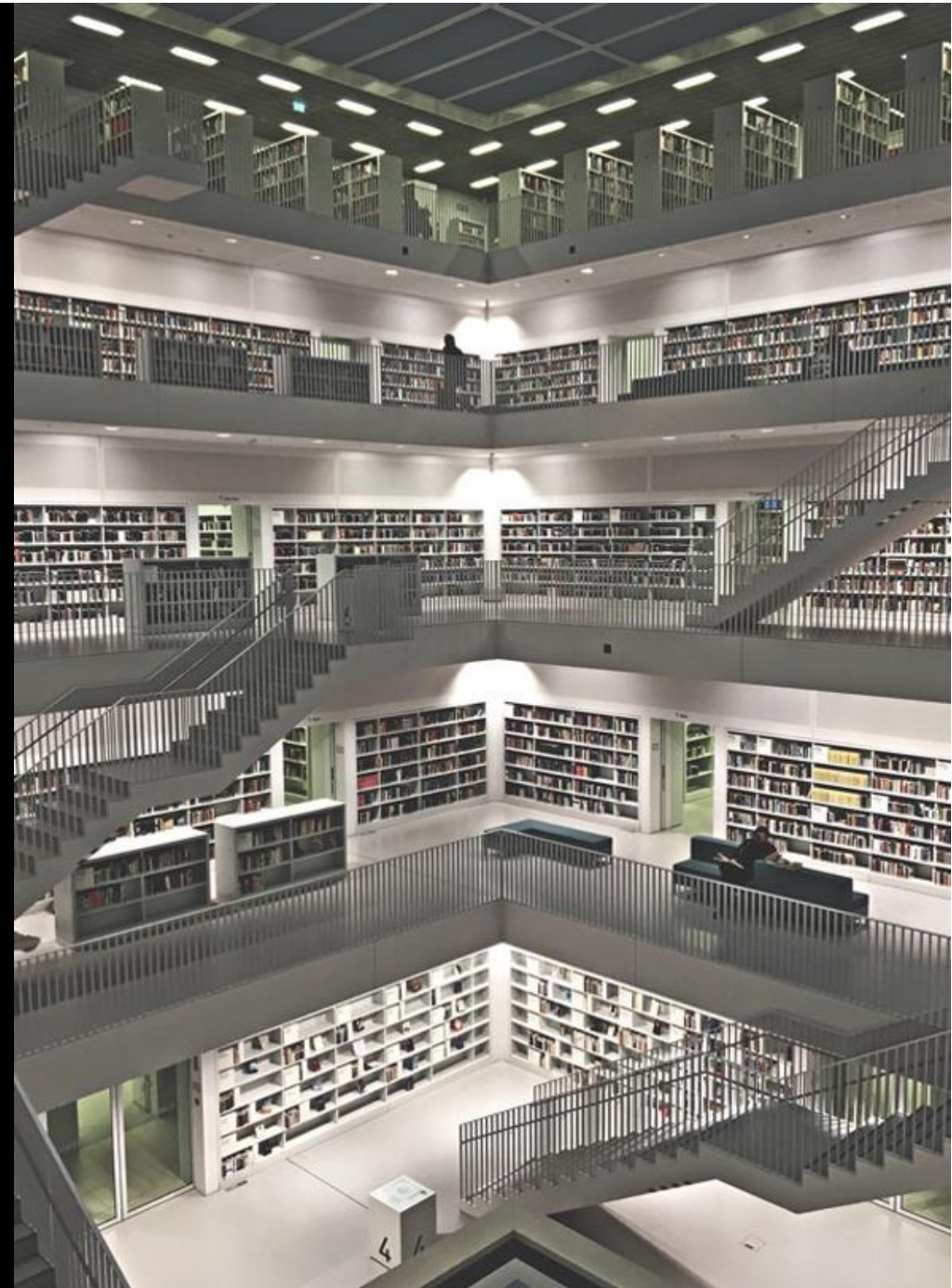
BAKER TILLY AND ACUA WEBINAR

Hot Topics in Athletics

July 28, 2021



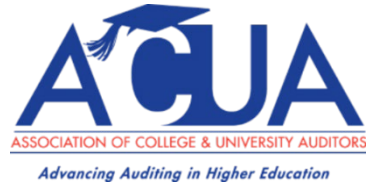
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Continuing Professional Education (CPE)

This webinar qualifies for 1 hour of CPE credit.

To qualify for the credit, *you must be in attendance for the entire webinar, participate in the three (3) polling questions and complete the evaluation form at the end of the webinar.*

Qualified attendees will receive their CPE certificate via email in 3-4 weeks.

Questions regarding the CPE for this webinar can be sent to acua-info@kellencompany.com.

INTRODUCTIONS

Presenters



Katlyn Andrews, CIA
Manager
Baker Tilly



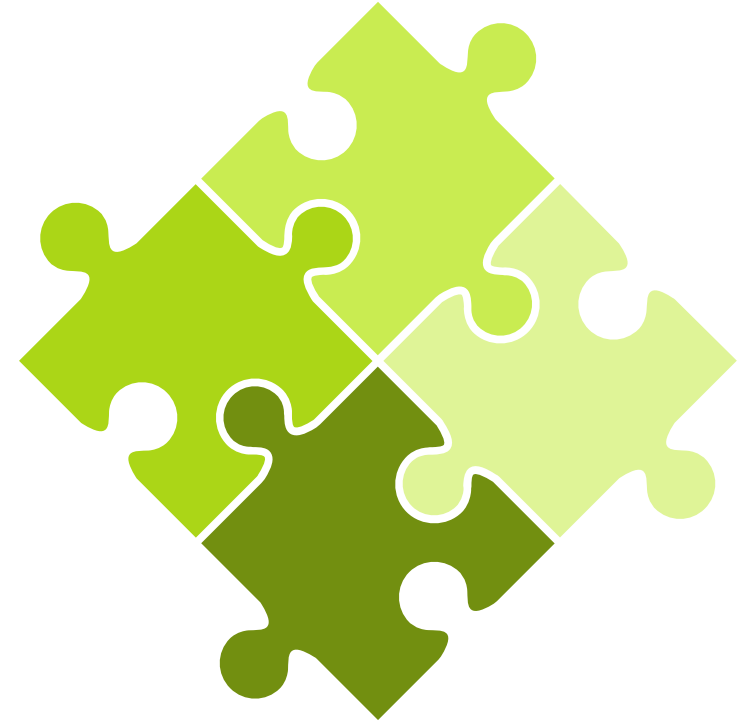
Colleen Lewis, CPA, CIA, CFE
Manager
Baker Tilly

BACKGROUND

Objectives

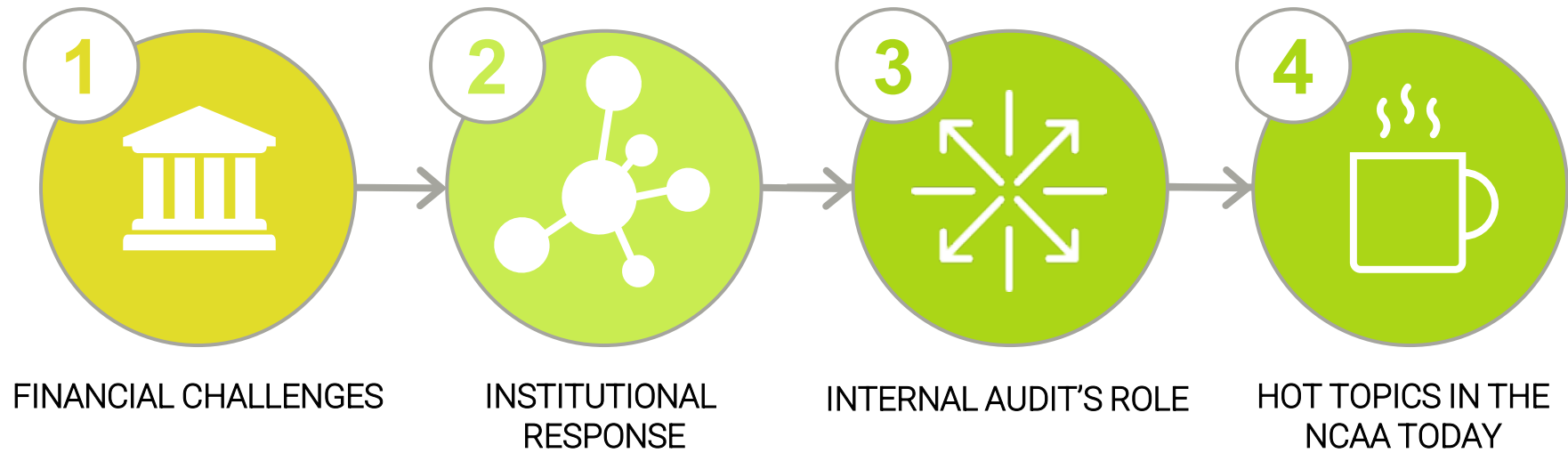
In this webinar, participants will learn:

- 1 The types of financial challenges that exist in intercollegiate athletics that have been exacerbated by the COVID-19 pandemic
- 2 Financial, regulatory, and reputational risks associated with cutting athletic programs in response to financial challenges
- 3 How internal audit can support the institution in its assessment of athletic policies and procedures



BACKGROUND

Agenda





Financial Challenges

POLLING QUESTION

Question #1

In which athletic association is your institution a member?

- A. National Collegiate Athletic Association (NCAA)
- B. National Association of Intercollegiate Athletics (NAIA)
- C. National Junior College Athletic Association (NJCAA)
- D. Other
- E. My institution does not have an athletics program



FINANCIAL CHALLENGES

Background: NCAA Division I

- ✓ Sponsor at least 7 sports for men and 7 for women (or 6 for men and 8 for women) with 2 team sports for each gender
- ✓ Play 100% of the minimum number of contests against DI opponents (for sports other than football and basketball)
- ✓ Meet minimum financial aid awards for their athletics program (Note: There are maximum awards for each sport)

NCAA Division / Subdivision		Number of Schools
Division I		350
	FBS Autonomy	65
	FBS Nonautonomy	65
	FCS	124
	Subdivision	96

Source: NCAA Member Directory <https://www.ncaa.org/membership-directory>

Note: Membership information is based on data from the 2020-2021 academic year.

FINANCIAL CHALLENGES

Background: NCAA Division II

- ✓ Sponsor at least 5 sports for men and 5 for women, (or 4 for men and 6 for women), with 2 team sports for each gender
- ✓ No scheduling requirements (for sports other than football and basketball)
- ✓ Not exceed maximum financial aid awards for each sport

NCAA Division / Subdivision		Number of Schools
Division II		309
	Football	166
	Non Football	143

Source: NCAA Member Directory <https://www.ncaa.org/membership-directory>

Note: Membership information is based on data from the 2020-2021 academic year.

FINANCIAL CHALLENGES

Background: NCAA Division III

- ✓ Sponsor at least 5 sports for men and 5 for women, with 2 team sports for each gender
- ✓ No scheduling requirements
- ✓ No financial aid related to student athlete athletic ability

NCAA Division / Subdivision		Number of Schools
Division III		449
	Football	248
	Non Football	201

Source: NCAA Member Directory <https://www.ncaa.org/membership-directory>

Note: Membership information is based on data from the 2020-2021 academic year.

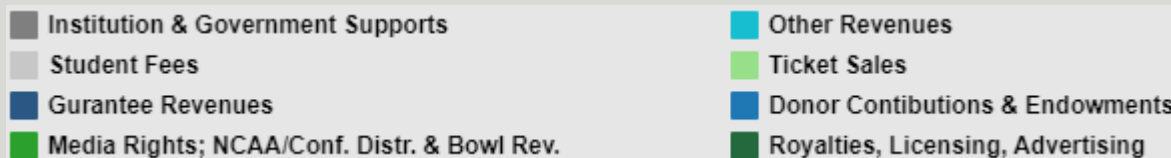
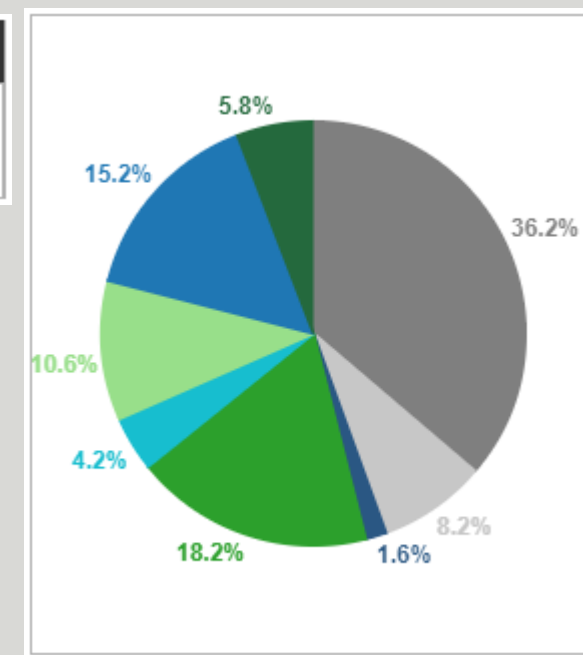
FINANCIAL CHALLENGES

Typical Revenue Sources

- ✓ Institutional and government supports (36.2%)
- ✓ Media rights; NCAA/conference distributions and Bowl revenue (18.2%)
- ✓ Donor contributions and endowments (15.2%)
- ✓ Ticket sales (10.6%)
- ✓ Student fees (8.2%)
- ✓ Royalties, licensing, and advertising (5.8%)
- ✓ Other revenues (4.2%)
- ✓ Guarantee revenues (1.6%)

NCAA Overall

\$18,908,512,469

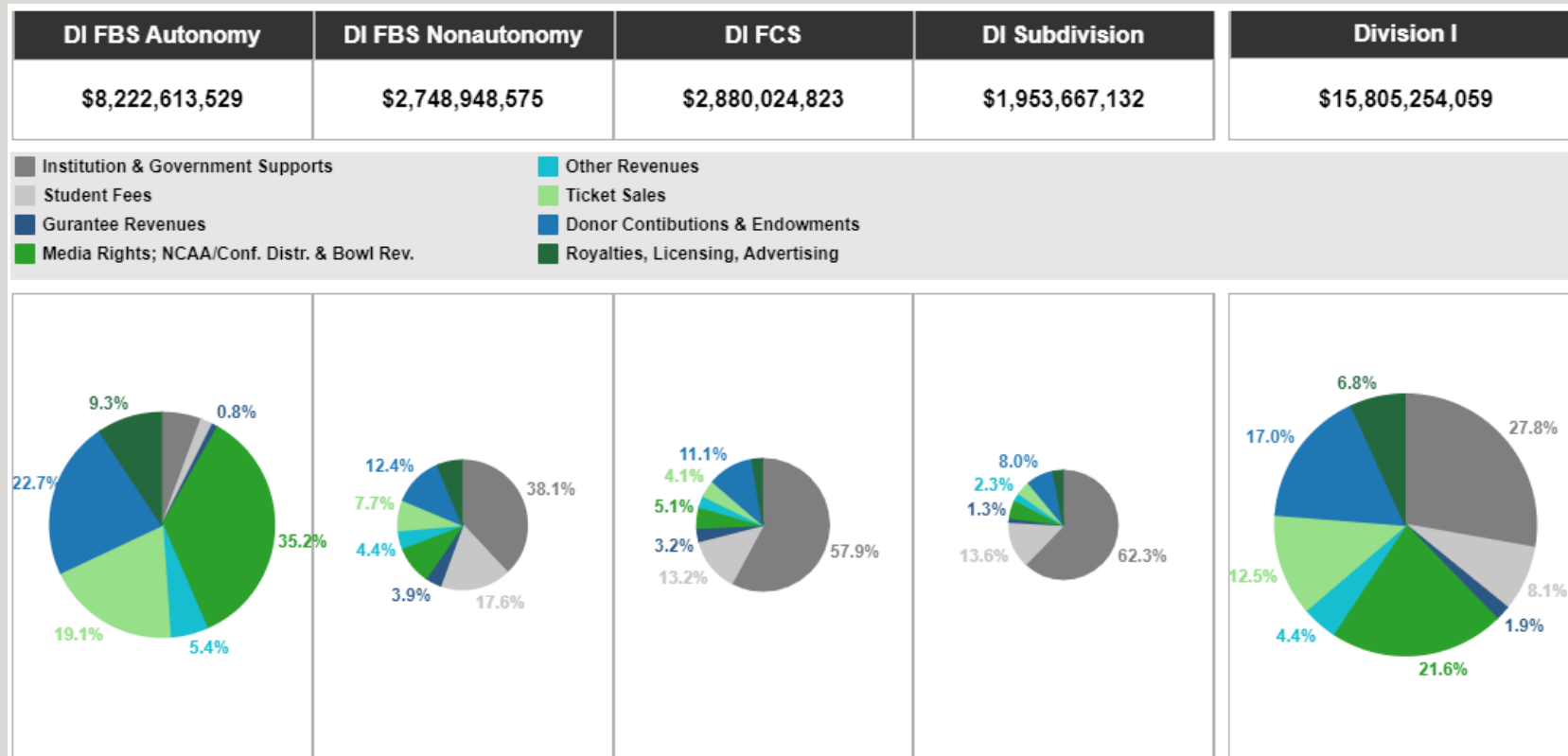


Source: NCAA Financial Database <https://www.ncaa.org/about/resources/research/finances-intercollegiate-athletics-database>

Note: Data presented is from fiscal year 2019 and does not reflect challenges due to the impact of the COVID-19 pandemic.

FINANCIAL CHALLENGES

Typical Revenue Sources – Division I

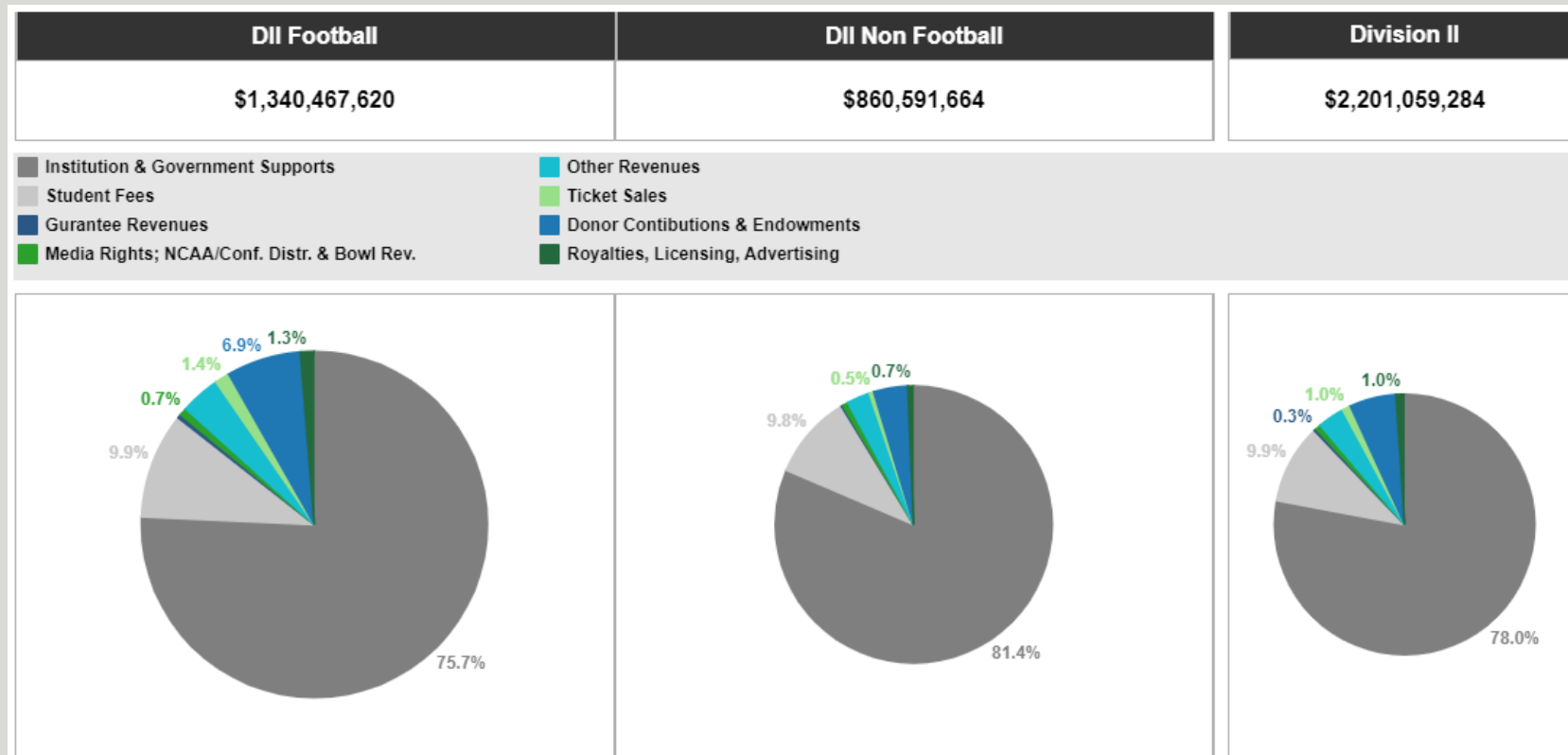


Source: NCAA Financial Database <https://www.ncaa.org/about/resources/research/finances-intercollegiate-athletics-database>

Note: Data presented is from fiscal year 2019 and does not reflect challenges due to the impact of the COVID-19 pandemic.

FINANCIAL CHALLENGES

Typical Revenue Sources – Division II

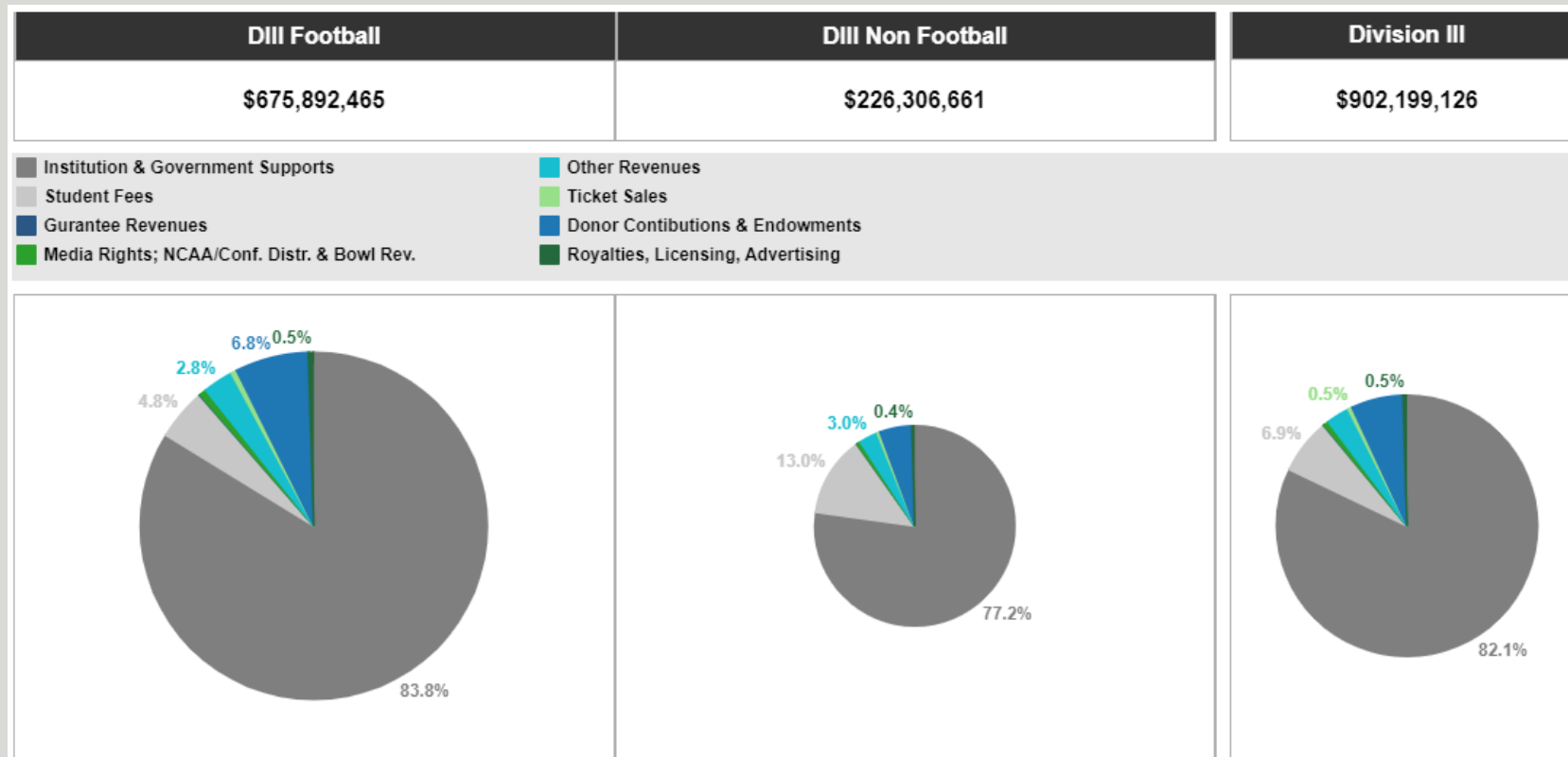


Source: NCAA Financial Database <https://www.ncaa.org/about/resources/research/finances-intercollegiate-athletics-database>

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FINANCIAL CHALLENGES

Typical Revenue Sources – Division III



Source: NCAA Financial Database <https://www.ncaa.org/about/resources/research/finances-intercollegiate-athletics-database>

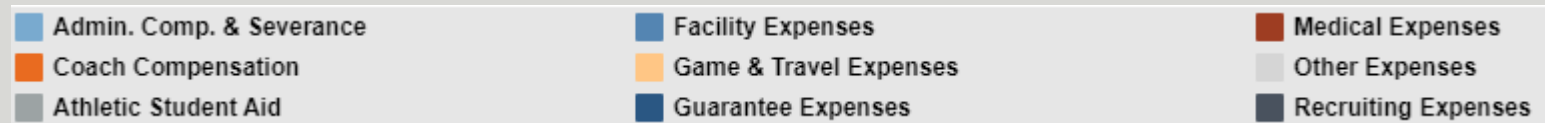
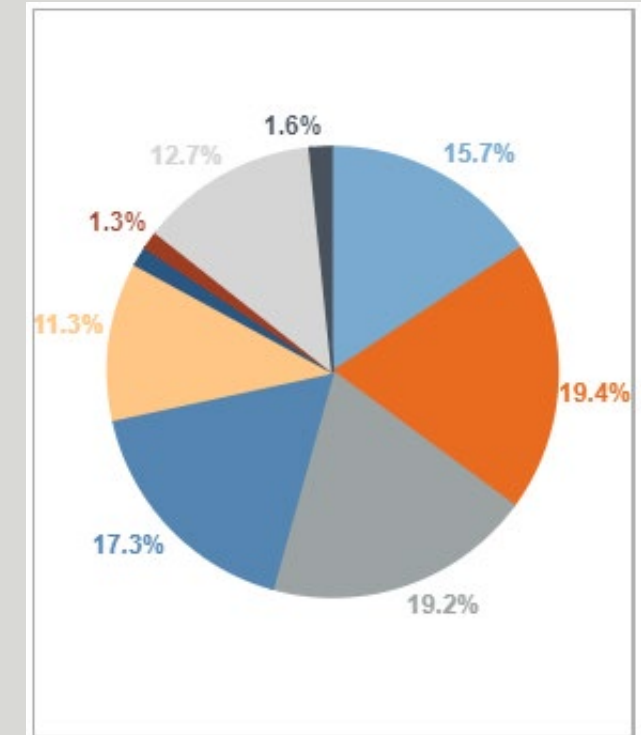
Note: Data presented is from fiscal year 2019 and does not reflect challenges due to the impact of the COVID-19 pandemic.

FINANCIAL CHALLENGES

Typical Costs to Operate

- ✓ Coach compensation (19.4%)
- ✓ Athletic student aid (19.2%)
- ✓ Facility expenses (17.3%)
- ✓ Admin. comp & severance (15.7%)
- ✓ Other expenses (12.7%)
- ✓ Game and travel expenses (11.3%)
- ✓ Recruiting expenses (1.6%)
- ✓ Guarantee expenses (1.4%)
- ✓ Medical expenses (1.3%)

NCAA Overall
\$18,848,699,949

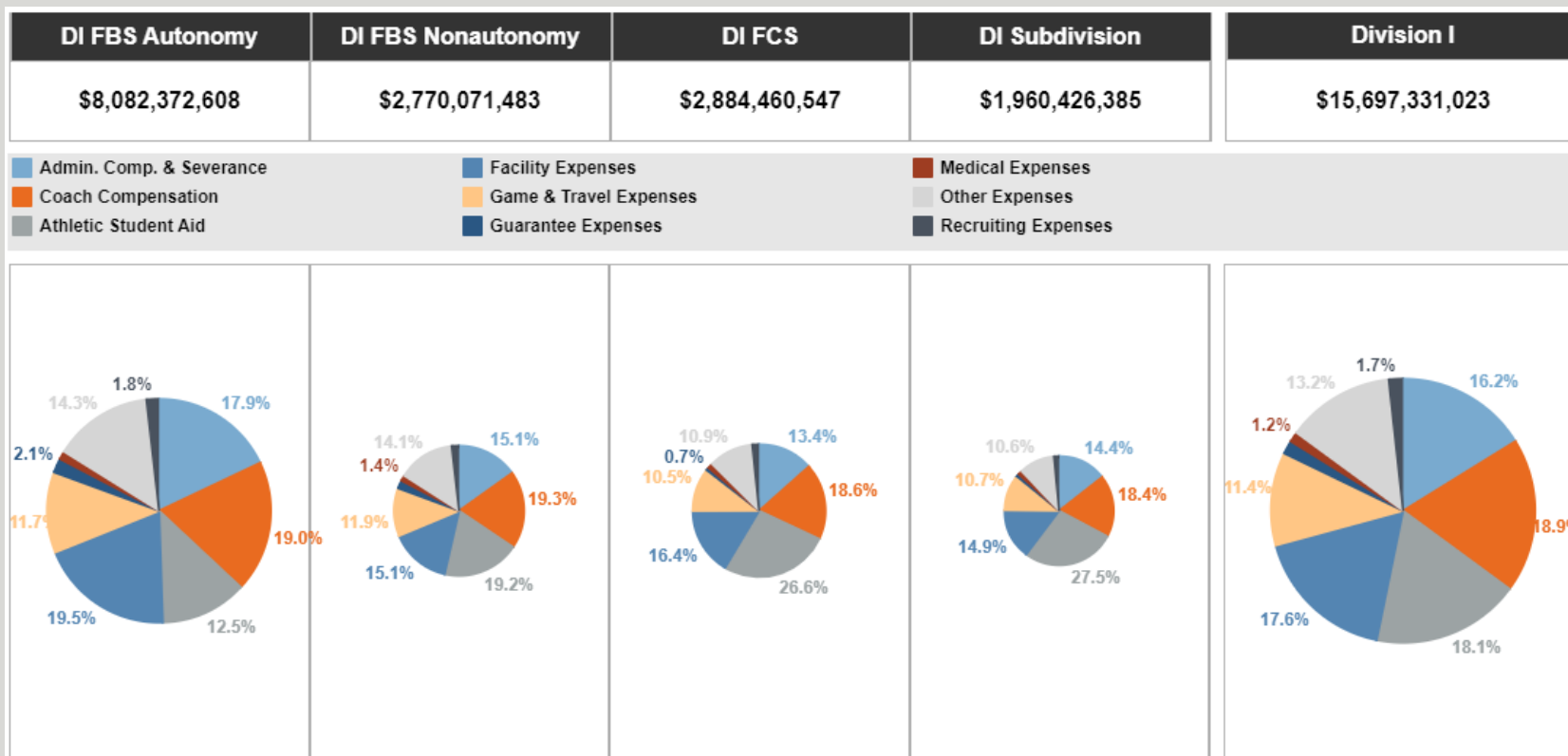


Source: NCAA Financial Database <https://www.ncaa.org/about/resources/research/finances-intercollegiate-athletics-database>

Note: Data presented is from fiscal year 2019 and does not reflect challenges due to the impact of the COVID-19 pandemic.

FINANCIAL CHALLENGES

Typical Costs to Operate– Division I

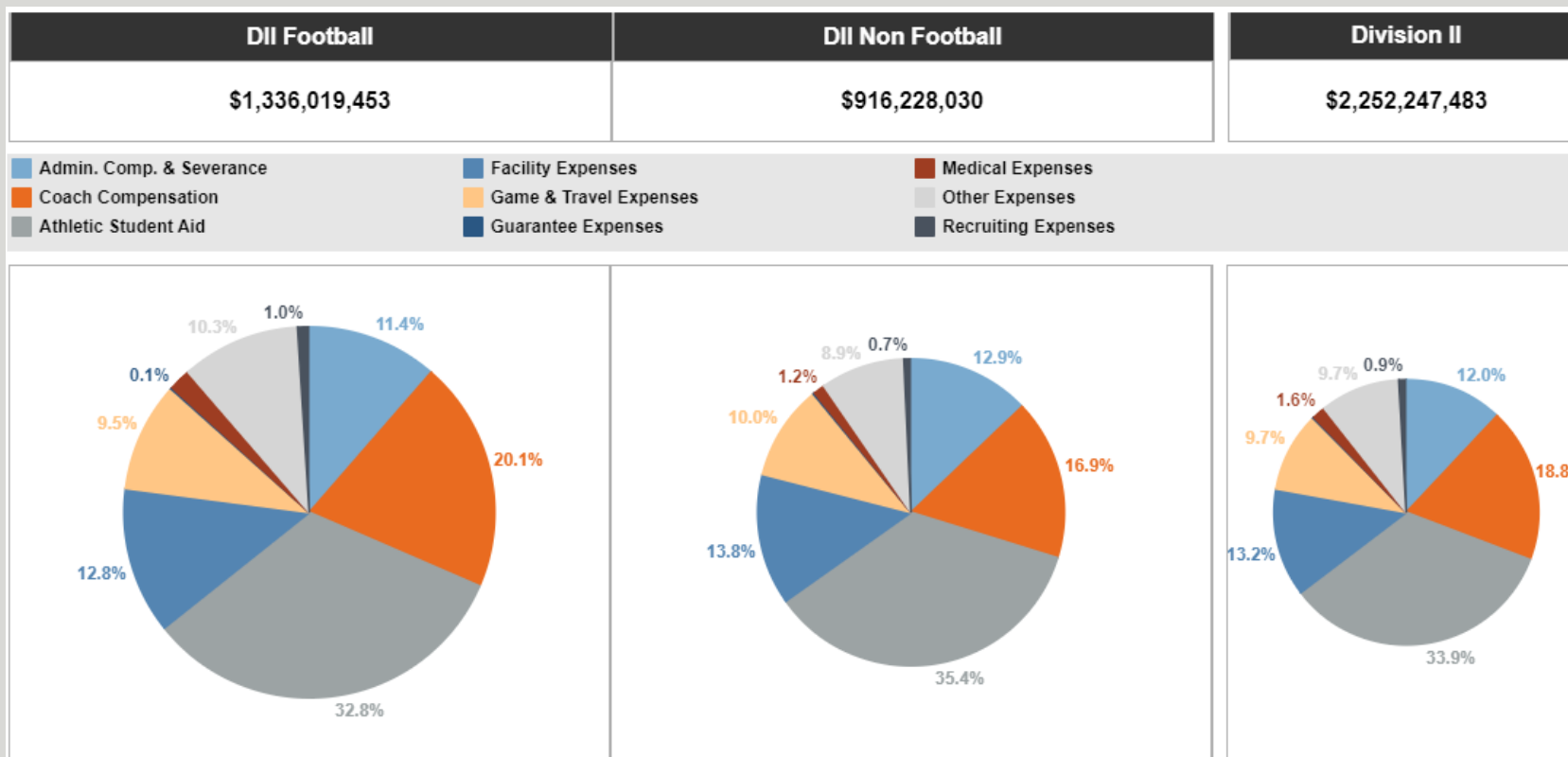


Source: NCAA Financial Database <https://www.ncaa.org/about/resources/research/finances-intercollegiate-athletics-database>

Note: Data presented is from fiscal year 2019 and does not reflect challenges due to the impact of the COVID-19 pandemic.

FINANCIAL CHALLENGES

Typical Costs to Operate– Division II

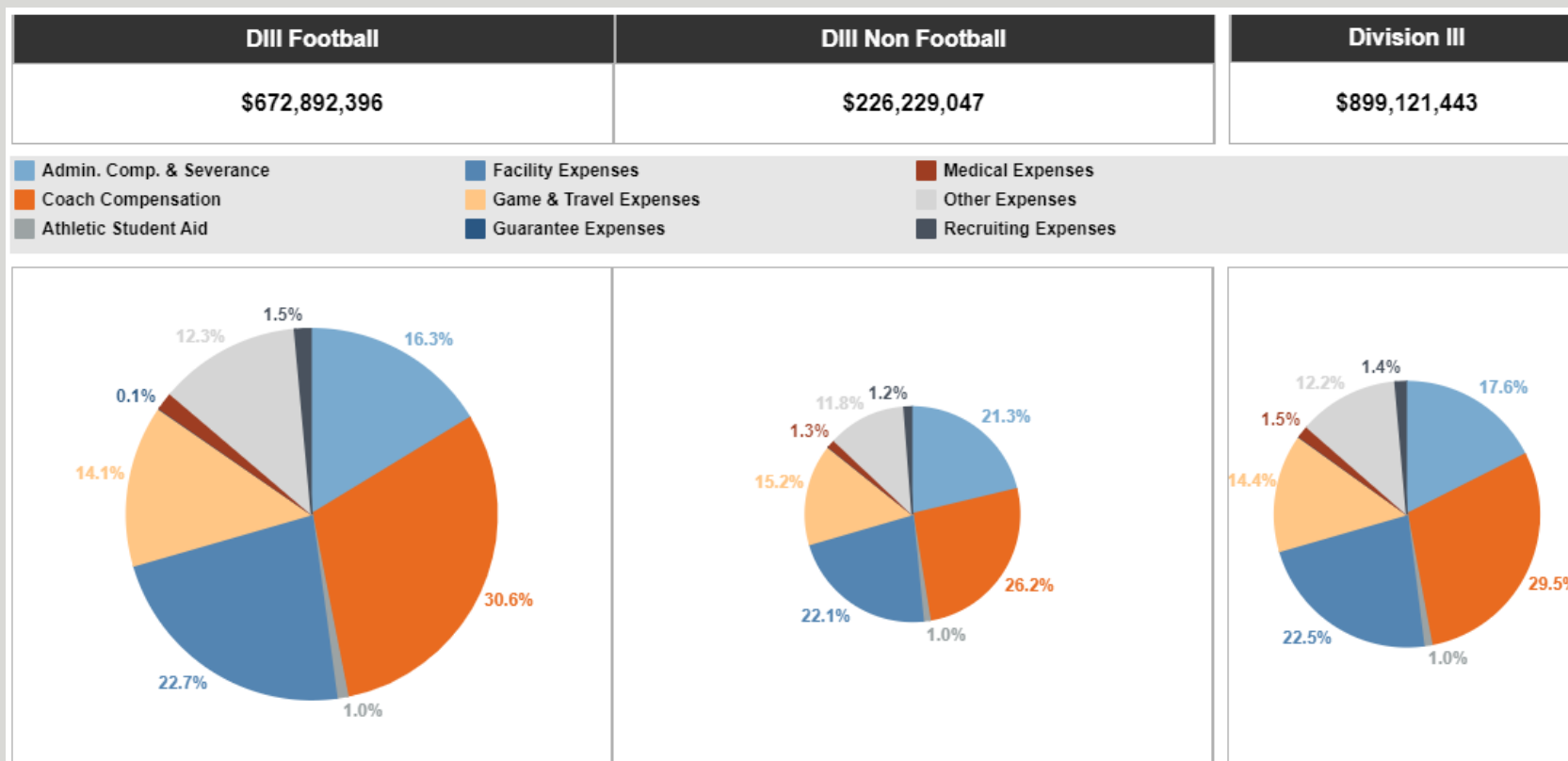


Source: NCAA Financial Database <https://www.ncaa.org/about/resources/research/finances-intercollegiate-athletics-database>

Note: Data presented is from fiscal year 2019 and does not reflect challenges due to the impact of the COVID-19 pandemic.

FINANCIAL CHALLENGES

Typical Costs to Operate– Division III



Source: NCAA Financial Database <https://www.ncaa.org/about/resources/research/finances-intercollegiate-athletics-database>

Note: Data presented is from fiscal year 2019 and does not reflect challenges due to the impact of the COVID-19 pandemic.

POLLING QUESTION

Question #2

Which of the following had the greatest financial impact on your institution's athletic department?

- A. Decline in institutional support
- B. Reductions to NCAA distributions
- C. Reduced donor contributions
- D. Limited ticket and/or concessions sales
- E. Other



FINANCIAL CHALLENGES

COVID-19 challenges

1

Cancellation of the 2020 March Madness Tournament (and other national championships)

Most of the money the NCAA distributes to member schools comes from the television and marketing rights as well as ticket sales for the Division I Men's Basketball Championship. With the cancellation of the basketball tournament due to COVID-19, the approximately \$600 million amount budgeted for distribution was reduced to \$225 million.

2

Institutional response plans

In March 2020, institutions across the country transitioned to a remote learning environment. Many schools opted not to have students (or employees) return to campus in the fall. Student enrollment, already declining nationwide, suffered. Pay cuts and hiring freezes were not uncommon as institutions sought to reduce costs during the pandemic.

3

2020-2021 athletic season

Not all athletics programs resumed competition in academic year 2021. For those that did, many saw schedule delays or adjustments including spectator limitations and the cancellation of some conference championships. The NCAA also suspended in-person recruiting until June 1, 2021.

4

COVID-19 safety protocols

With the resumption of educational and athletic activities, institutions implemented a variety of COVID-19 safety protocols to align with Centers for Disease Control and Prevention (CDC) recommendations and to limit the spread of COVID-19 across campuses and local communities. The NCAA also released guidance that included frequent testing of athletics personnel.

A top-down view of a dark grey desk. In the upper right, a silver laptop is partially visible. To its left is a small white pot containing a green cactus. Below the laptop is an open notebook with a black pen resting on it. A pair of red glasses is also visible near the notebook. A large black rectangular box is overlaid on the left and center of the image, with the text 'Institutional Response' in a bright green font. A small green horizontal bar is located at the top center of the black box.

Institutional Response

INSTITUTIONAL RESPONSE

Efforts to reduce costs and increase revenue

Reduce costs

Limits on spending

Suspension of capital projects

Athletic program cuts

Increase revenue

Increase student fees

Build brand recognition

Expand fundraising opportunities

POLLING QUESTION

Question #3

How has your institution responded to financial challenges within athletics that were exasperated by the COVID-19 pandemic?

- A. Reduced team operating budgets or limited spending
- B. Eliminated programs
- C. Increased revenue-generating activities
- D. Other





Internal Audit's Role

INTERNAL AUDIT'S ROLE

How internal audit can help provide value

- Assess compliance with
 - Federal/State Regulations (e.g., Title IX)
 - NCAA bylaws (e.g., recruiting)
 - Institutional policies (e.g., use of institutional names/trademarks, COVID policies, etc.)
- Evaluate internal controls in place to support compliance or other operational objectives
- Identify real or potential risks to the athletic department and processes to mitigate those risks
- Assess direct and indirect departmental costs and revenue
- Evaluate the value proposition of athletics at the institution and make recommendations that align with strategic objectives

The background image shows a large, multi-story brick building with several windows and a gabled roof. In the foreground, there is a paved area with a stone wall on the right side. The sky is blue with some clouds. A black rectangular box is overlaid on the center of the image, containing the text "Recent Hot Topics" in a bright green font. A small yellow rectangular mark is visible at the top center of the black box.

Recent Hot Topics

POLLING QUESTION

Question #4

Has internal audit played a role in your institution's response to name, image, and likeness (NIL) rule changes?

- A. Yes
- B. No
- C. I don't know



RECENT HOT TOPICS

NCAA vs Alston Supreme Court Ruling

- The Supreme Court **unanimously** sided with former college players in a dispute with the NCAA about compensation, stating that NCAA policies violated anti-trust principles.
- The decision allows schools to provide their athletes with **unlimited compensation** if it is connected to their education.
 - This means athletes can be provided educational equipment such as laptops, tutoring services, study abroad opportunities, internships, and even cash rewards for academic accomplishments.
- The Court’s decision in the Alston case established a framework for how NCAA rules related to compensation should be analyzed going forward – through ordinary “rule of reason” scrutiny under anti-trust laws.



Former West Virginia University running back, Shawne Alston, was the lead plaintiff for the case.

RECENT HOT TOPICS

Name, Image, and Likeness Rule Change

- Governance bodies in all three NCAA divisions adopted a uniform interim policy suspending NCAA name, image and likeness rules for all incoming and current student-athletes in all sports.
-
- **What this means?**
 - Athletes can make money from a variety of sources including autographs, endorsement deals, appearances, and social media.
-
- **Potential impacts**
 - Tax consequences
 - Need-based financial aid considerations
 - Academic and/or athletic performance-related implications
 - Recruitment repercussions
 - Operational and compliance considerations
 - Enforcement responsibility
-

A photograph of a brick building with a black overlay containing the text "Questions?" in yellow. The building is a multi-story structure with a gabled roof and several windows. A small tree with red leaves is visible on the left. The foreground shows a paved area with a stone wall on the right. The sky is blue with some clouds.

Questions?



ADDITIONAL RESOURCES

Links/Resources

<https://www.ncaa.org/membership-directory>

<https://www.ncaa.org/about/resources/research/finances-intercollegiate-athletics-database>

<https://www.ncaa.org/about/resources/media-center/news/ncaa-releases-audited-financial-statement-fiscal-year-2019-20>

<https://www.bakertilly.com/specialties/collegiate-athletics-esports>

<https://www.bakertilly.com/insights/higher-education-institutions-can-evaluate-fiscal-resilience>

THANK YOU!

Contact information



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Stay Updated

- The College and University Auditor is ACUA's official journal. Current and past issues are posted on the ACUA website.
- News relevant to Higher Ed internal audit is posted on the front page. Articles are also archived for your reference under the Resources/ACUA News.

Get Educated

- Take advantage of the several FREE webinars held throughout the year.
- Attend one of our upcoming conferences:
Audit Interactive
TBD

AuditCon
September 19 – 23, 2021
Hybrid
- Contact ACUA Faculty for training needs.

Get Involved

- The latest Volunteer openings are posted on the front page of the website.
- Visit the listing of Committee Chairs to learn about the various areas where you might participate.
- Nominate one of your colleagues for an ACUA annual award.
- Submit a conference proposal.
- Present a webinar.
- Become a Mentor
- Write an article for the C&U Auditor.
- Write a Kick Starter.

Connect with us



www.ACUA.org

Connect with Colleagues

- Subscribe to one or more Forums on the Connect ACUA to obtain feedback and share your insights on topics of concern to higher education internal auditors.
- Search the Membership Directory to connect with your peers.
- Share, Like, Tweet & Connect on social media.

Solve Problems

- Discounts and special offers from ACUA's Strategic Partners
- Kick Starters
- Risk Dictionary
- Mentorship Program
- NCAA Guides
- Resource Library
- Internal Audit Awareness Tools
- Governmental Affairs Updates
- Survey Results
- Career Center.....and much more.



ACUA Kick Starters

Use a Kick Starter to launch your next audit!

- Developed by ACUA members with subject matter expertise
- Focused on higher education specific topics

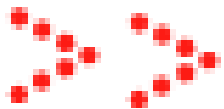
<https://acua.org/Audit-Tools/ACUA-Kick-Starters>



Do you have a great idea for an ACUA Kick Starter? Contact John

Winn at

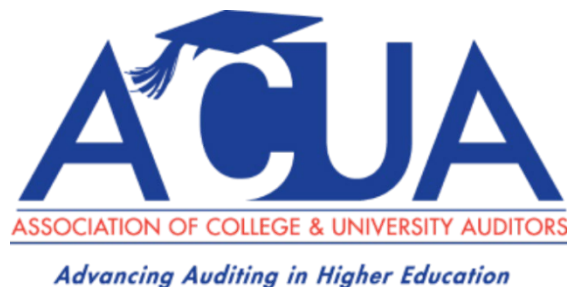
HJWINN@mailbox.sc.edu

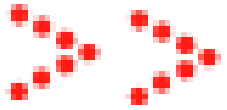


New Kick Starter Available!

Consultative Review of the Culture of Diversity and Inclusion

Download today in the members-only Audit Tools section of www.ACUA.org





**Next Kick Starter Coming
August 15th!**

Stress Testing





Did you know that Connect ACUA allows you to post new messages directly from your email without logging in to the Connect ACUA website?

For more details, check out the Quick Tip post on [Connect.ACUA.org](https://connect.acua.org)

Your Higher Education Auditing Connection



ACUA MENTORSHIP PROGRAM

- **Mentorship is a proven method to help colleagues feel supported, drive workplace satisfaction, and foster member engagement in higher ed auditing.**
- **The program is no longer focused on only small audit shops! The program has been expanded to be more inclusive of all types of shops.**
- **The program is only a one-year commitment, but we encourage the mentorship to continue even after one year.**
- **Consider signing up! Watch for registration deadlines to be communicated via email. For more information, go to <https://acua.org/Member-Resources/Mentorship-Program>**



The ACUA Board of Directors decided to make AuditCon 2021 a limited hybrid event for all ACUA members and attendees.

AuditCon will be held September 19-23: live in Miami, Florida for a limited number of attendees, and live-streamed virtually!

We are confident with the new CDC guidelines that this hybrid option will bring the most value to ACUA members.

Registration opening next week!



**Join us for
our upcoming
webinar.**





Upcoming ACUA Events

Webinar

August 12, 2021 – Brian Markham with EAB will discuss Google Hacking.

AuditCon

September 19 - 23, 2021