

Minutes of the University Athletics Committee  
University of Kentucky  
Monday, December 11, 2017

**Meeting Opened and Roll Call**

Trustee Barber, Chair of the University Athletics Committee, called the meeting to order at 1:00 pm.

The following members of the University Athletics Committee were present: Jennifer Barber, Skip Berry, Kelly Holland, David Melanson, and Cammie Grant; Community Advisory Members Vickie Bell, Wilbur Hackett, Jr., Paula Hanson; and Faculty Representative Joe Fink.

**Approval of Minutes**

Chair Barber asked for a motion to approve the minutes from the June 16, 2017, meeting. Trustee Melanson moved for approval. Trustee Holland seconded the motion and it carried without dissent.

**President's Remarks**

President Capilouto discussed the statue dedicated to the players who broke barrier at the University of Kentucky, and indicated the night before the SEC Football Championship Game there was a Legends Dinner with approximately 1,000 individuals in attendance. Nate Northington from the University of Kentucky was the legend for this year, and was chosen to be the spokesperson. At the end of the dinner, all four of the former student-athletes from the University were honored with the Community Service Awards, and it was a very proud moment for the University of Kentucky.

**Departmental Report**

Athletic Director (AD) Barnhart reported the University of Kentucky has five core values that guide student-athletes, coaches, and staff. The five core values AD Barnhart noted were character, integrity, knowledge, stewardship, and competitiveness. He indicated that he wanted all of these principles to be encompassed in what we see out of our students, as well as in his staff members and coaches. He indicated that our student-athletes continue to excel academically, and compete well too.

AD Barnhart indicated that he has a 1-3-5 vision that defines goals and where he wants the Department to be. He wants our programs to be elite by covering academics, relationships, community outreach, fan engagement, and through competition. He explained that the Athletic Department wants every one of their teams to win a conference or a championship by 2022. To date, UK has had three teams complete this task. Men's Soccer, Men's Basketball, and Women's Volleyball. The "3" stands for the Department's goal for student-athletes to sustain a 3.0 cumulative GPA, and this has been a continued achievement for the last 10 semesters. The "5" stands for the goal of finishing in the top five of the Directors' Cup, where this past year UK was

ranked in 10<sup>th</sup> place, which was the highest in school history. AD Barnhart wants to continue to strive for more and reach our full potential within programs and as a Department.

AD Barnhart recognized student-athletes at the meeting: Olivia Gruver, who became National Pole Vault Champion in summer 2017; Sha'Keela Saunders, who became the Indoor Long Jump National Champion; Sean Hjelle and Kole Cottam from the Super Regional Baseball Team; Shannon Smith representing the Softball Team, which also reached Super Regionals; Courtney Love, from UK Football, received the Danny Wuerffel Trophy for being nationally recognized for his community service. AD Barnhart introduced the Head Volleyball Coach, Craig Skinner, and recognized the Senior Volleyball team members.

Women's Volleyball finished their 2017 season at the NCAA tournament in the Elite 8. Coach Skinner introduced seniors Darian Mack, Emily Franklin, Kaz Brown, and Ashley Dusek, who were all a part of the various all-SEC teams.

Finally, AD Barnhart recognized the UK Football program and indicated that the program accepted the invitation to play in Nashville, Tennessee at the Music City Bowl on December 29, 2017, against Northwestern. He noted that 17 graduates will participate in this game. He concluded they would be actively signing a new group of Wildcats to the team in the coming weeks.

[\(AD Report: December 11<sup>th</sup>, 2017 attached\)](#)

### **Business Items**

Trustee Barber introduced Susan Krauss, Treasurer, to present on the Consideration of the 2016-17 Audited Financial Statements and the Independent Auditor's Report on Financial Statement and Supplemental Information for the Department of Intercollegiate Athletics

Ms. Krauss discussed the review of the audited statements, where Baird, Kurtz, & Dobson (BKD) conducted the audit and the University received unmodified and clean opinions. There was an error in the 2016 cash flow statement, and it was restated to correct two line items. The error was on the balance of capitalized net assets on accounts payable rather than change on accounts payable, which resulted in an understatement on the net cash provided and used by operating activities, and an overstatement in the net cash provided and used by capital and related financing activities. The error did not impact the BKD audit, other accounts, or statements, and it was corrected. Ms. Krauss indicated new procedures have been implemented to avoid these errors moving forward.

Ms. Krauss identified the statements were prepared in the subscribed format and it includes both opinions on the statements and the management's discussion on the analysis. The statements included are as follows: Statement of net position and balance sheet; Statement of revenues; expenses, and changes; Statement of cash flows; and notes to the financial statements. The June 30<sup>th</sup> balance sheet, reflected total assets of \$556.7 million, total liabilities and deferred in-flows of resources of \$329.1 million, and a net position of \$227.6 million. This shows an increase of \$8.5 million for the year at 4%. There were decreases in assets and liabilities, which were directly impacted from receivables and other revenues related to the multimedia rights partnership with JMI Sports.

Ms. Krauss discussed the statement of revenues and changes in net positions, highlighting that operating revenues decreased minimally by \$700,000, which was due to a decrease in football revenues and offset by increases in basketball and other operating revenues. Football decreased by \$3.1 million this year due to ticket revenue and the less attractive home football schedule for the year. Additionally, there were home football game in Fiscal Year 2016. This decrease was offset by other operating revenues of \$1.8 million in receiving a one-time NCAA distribution of \$900,000 used to support various academic life programs, which funded the new CATS Center for football. UK Athletics also received additional revenue from the SEC network of \$800,000.

Ms. Krauss reported operating expenses increased \$8.7 million for the year due to increases in football, other sports, operations, and other depreciation. Football increased \$3.4 million due to increases in salaries and benefits, and contractual increases. The costs also were associated with team travel of \$1.4 million due to a new charter agreement for team travel and post-season expenses. Other sports increased \$800,000 with \$400,000 of this attributed to scholarship cost increases and expenses, and \$200,000 due to travel and increased post season activities. Ms. Krauss indicated that costs for facilities and operations increased \$1.7 million for the year due to uncapitalized renovations and maintenance costs associated with the new football training facility. The depreciation increased \$2.3 million due to the new football training facility and Kroger Field.

Ms. Krauss indicated that non-operating revenues increased \$3.5 million due to increases in royalties, licenses, fees, and investment incomes, which was offset by an increase in interest expenses on capitalized-related debt. Royalties and license fees increased by \$5.1 million due to initial payment received by a new contract with J America via Fermata, our new fan apparel licensing vendor, where we received \$4.9 million as an initial payment. She continued that investment income increased \$1.9 million due to strong endowment pull returns.

Finally, Ms. Krauss indicated from all this activity, as noted previously, there was an increased net position of \$8.5 million, which equates to a 4% increase, which is a very strong year for the Athletics program. Additionally, Ms. Krauss indicated the BKD reviewed and agreed on the report provided by the NCAA, and issued a report in November to the President per annual contractual requirements and procedures for financial reviews. This concluded Ms. Krauss' overview of this report, and there were no questions.

Trustee Grant moved to accept the 2016-17 Audited Financial Statements and the Independent Auditor's Report on Financial Statement, and Supplemental Information for the Department of Intercollegiate Athletics, as presented. Trustee Melanson seconde, and the motion passed without dissent.

Melissa Gleason, Executive Associate Athletics Director and Chief Financial Officer, presented on Consideration of Interim financial Report for the Three Months Ended September 30, 2017 for the Department of Intercollegiate Athletics.

Ms. Gleason indicated that from the June meeting the athletic budget remained at \$136.9 million, and she identified that the football schedule being closer to completed by the end of September, and with a more attractive schedule for this season there is an increase in ticket revenue

for the year. Ms. Gleason indicated that the department was approximately 22% through the budgeted revenue, which is expected at this point in the year.

Ms. Gleason continued and referred to the expenses, and indicated, this is what you would expect to see at this point in the year at 25% of the budget. There is higher realization of the budget in regards to football, due to the season having been in session at that point in time, as well as the salary expenses.

Ms. Gleason reiterated that the budget was in line with the standard of where the Department should be at this point in the year. This concluded Ms. Gleason's report overview, and there were no questions.

Trustee Holland moved to accept the Interim financial Report for the Three Months Ended September 30, 2017 for the Department of Intercollegiate Athletics, as presented. Trustee Berry seconded, and the motion passed without dissent.

With no further business, the meeting was adjourned at 1:39 p.m.