National Collegiate Athletic Association and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended August 31, 2018 and 2017, Supplementary Information for the Year Ended August 31, 2018, and Independent Auditors’ Report

NATIONAL COLLEGIATE ATHLETIC ASSOCIATION AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors
National Collegiate Athletic Association
Indianapolis, Indiana

We have audited the accompanying consolidated financial statements of the National Collegiate Athletic Association and its subsidiaries (NCAA), which comprise the consolidated statements of financial position as of August 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the NCAA's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NCAA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Collegiate Athletic Association and its subsidiaries as of August 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information on page 25 is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. This information is the responsibility of the NCAA's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

December 11, 2018

NATIONAL COLLEGIATE ATHLETIC ASSOCIATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2018 AND 2017

	2018	2017
ASSETS		
CASH AND CASH EQUIVALENTS	$ 14,162,770	$ 13,727,897
INVESTMENTS	400,464,839	523,337,770
PREPAID EXPENSES	4,062,089	5,082,351
RECEIVABLES:		
Accounts receivable—net	68,341,697	56,226,670
Contributions receivable—facilities—net	63,970,138	60,396,702
Total receivables—net	132,311,835	116,623,372
GOODWILL	7,000,000	7,000,000
INTANGIBLE ASSETS—Net	910,000	1,040,000
PROPERTIES—Net	46,255,646	49,395,893
OTHER ASSETS	4,118,926	3,559,942
TOTAL	$609,286,105	$719,767,225
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	$110,994,697	$249,127,952
Deferred revenue and deposits	37,888,317	34,432,277
Bonds payable—net	16,828,652	21,551,359
Accrued lease expense	17,578,988	15,757,432
Total liabilities	183,290,654	320,869,020
NET ASSETS:		
Unrestricted	377,568,715	352,095,244
Temporarily restricted	48,276,736	46,652,961
Permanently restricted	150,000	150,000
Total net assets	425,995,451	398,898,205
TOTAL	$609,286,105	$719,767,225

See notes to consolidated financial statements.

NATIONAL COLLEGIATE ATHLETIC ASSOCIATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

	2018			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
REVENUES:				
Television and marketing rights fees	$ 844,267,484	$ -	$ -	$ 844,267,484
Championships and NIT tournaments	133,374,157	-	-	133,374,157
Investment income—net	22,657,492	-	-	22,657,492
Sales, services, and other	57,456,759	-	-	57,456,759
Contributions—facilities—net	-	6,647,348	-	6,647,348
Total revenues	1,057,755,892	6,647,348	-	1,064,403,240
RECLASSIFICATIONS:				
Temporarily restricted resources used for occupancy costs	4,885,482	(4,885,482)	-	-
Temporarily restricted resources used for program services	138,091	(138,091)	-	-
Total reclassifications	5,023,573	(5,023,573)	-	-
EXPENSES:				
Distribution to Division I members	609,223,992	-	-	609,223,992
Division I championships, programs, and NIT tournaments	103,401,082	-	-	103,401,082
Division II championships, distribution, and programs	41,836,305	-	-	41,836,305
Division III championships and programs	32,321,528	-	-	32,321,528
Association-wide programs	207,145,686	-	-	207,145,686
Management and general	43,377,401	-	-	43,377,401
Total expenses	1,037,305,994	-	-	1,037,305,994
TOTAL CHANGE IN NET ASSETS	25,473,471	1,623,775	-	27,097,246
NET ASSETS—Beginning of year	352,095,244	46,652,961	150,000	398,898,205
NET ASSETS—End of year	$ 377,568,715	$ 48,276,736	$ 150,000	$ 425,995,451

See notes to consolidated financial statements.

NATIONAL COLLEGIATE ATHLETIC ASSOCIATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES:				
Television and marketing rights fees	$ 821,386,522	$ -	$ -	$ 821,386,522
Championships and NIT tournaments	129,404,400	-	-	129,404,400
Investment income—net	47,126,913	-	-	47,126,913
Sales, services, and other	30,367,807	-	-	30,367,807
Gain—other	26,338,166	-	-	26,338,166
Contributions—other	2,000	-	-	2,000
Contributions—facilities—net	-	6,738,688	-	6,738,688
Total revenues	1,054,625,808	6,738,688	-	1,061,364,496
RECLASSIFICATIONS:				
Temporarily restricted resources used for occupancy costs	4,885,482	(4,885,482)	-	-
Temporarily restricted resources used for program services	614,288	(614,288)	-	-
Total reclassifications	5,499,770	(5,499,770)	-	-
EXPENSES:				
Distribution to Division I members	560,368,946	-	-	560,368,946
Division I championships, programs,		-	-	-
and NIT tournaments	96,693,818			96,693,818
Division II championships, distribution,		-	-	-
and programs	42,332,549			42,332,549
Division III championships and		-	-	-
programs	28,169,295	-	-	28,169,295
Association-wide programs	188,901,220			188,901,220
Management and general	39,747,965	-	-	39,747,965
Total expenses	956,213,793	-	-	956,213,793
TOTAL CHANGE IN NET ASSETS	103,911,785	1,238,918	-	105,150,703
OTHER CHANGES IN NET ASSETS—				
Changes attributed to noncontrolling interest	(304,853)	-	-	(304,853)
CHANGE IN NCAA NET ASSETS	103,606,932	1,238,918	-	104,845,850
NCAA NET ASSETS—Beginning of year	248,488,312	45,414,043	150,000	294,052,355
NCAA NET ASSETS—End of year	$ 352,095,244	$ 46,652,961	$ 150,000	$ 398,898,205

See notes to consolidated financial statements.

NATIONAL COLLEGIATE ATHLETIC ASSOCIATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 27,097,246	$ 105,150,703
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	6,105,568	5,834,869
Amortization of bond premium	(332,707)	(332,708)
Unrealized (gain) loss on investments	(590,927)	27,963,709
Realized (gain) on investments	(10,304,344)	(65,943,449)
Gain on sale of ArbiterSports	-	(26,338,166)
Gain on disposal of properties	-	(404,537)
Changes in noncontrolling interest	-	(304,853)
Changes in assets and liabilities:		
Receivables	(12,115,027)	8,306,556
Contribution receivable	(3,573,436)	(3,733,830)
Prepaid expenses	1,020,262	1,377,970
Other assets	(558,984)	104,620
Accounts payable and accrued liabilities	(137,153,329)	(107,572,672)
Distribution payable		(200,000,000)
Deferred revenue and deposits	3,456,040	11,657,120
Accrued lease expense	1,821,556	1,890,608
Net cash (used) in operating activities	(125,128,082)	(242,344,060)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,835,321)	(4,692,133)
Proceeds from capital sales	-	744,329
Change in accounts payable and accrued liabilities related to capital expenditures	213,674	1,468
Proceeds from sale of ArbiterSports (net of $959,159 cash)	-	21,574,339
Purchases of investments	(52,367,861)	(161,538,666)
Proceeds from sales of investments	184,942,463	391,496,095
Net cash provided by investing activities	129,952,955	247,585,432
CASH FLOWS FROM FINANCING ACTIVITIES—		
Principal payments on bonds payable	(4,390,000)	(4,200,000)
Net cash (used) in financing activities	(4,390,000)	(4,200,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	434,873	1,041,372
CASH AND CASH EQUIVALENTS:		
Beginning of year	13,727,897	12,686,525
End of year	$ 14,162,770	$ 13,727,897
SUPPLEMENTAL CASH FLOW INFORMATION—Cash paid for interest	$ 898,506	$ 1,089,206
NONCASH TRANSACTIONS—Purchases of property, plant, and equipment accrued in accounts payable at the end of the year	$ 221,105	$ 7,431

See notes to consolidated financial statements.

1. THE ASSOCIATION

The National Collegiate Athletic Association (NCAA or the "Association") is an unincorporated not-for-profit educational organization founded in 1906. The NCAA is the organization through which colleges and universities of the nation speak and act on athletic matters at the national level. It is a voluntary association of more than 1,200 institutions, conferences, and organizations devoted to the sound administration of intercollegiate athletics in all its phases. NCAA members consider athletics issues that cross regional or conference boundaries. The NCAA strives for integrity in intercollegiate athletics and serves as the colleges' national athletics governing agency. One of the core values of the NCAA is to maintain intercollegiate athletics as an integral part of the educational program and the athlete as an integral part of the student body.

The NCAA operates through a governance structure which empowers each division to guide and enhance their ongoing division-specific activities. In Division I, the legislative system is based on conference representation and a twenty-four member Division I Board of Directors that approves legislation. The Divisions II and III boards are known as the Division II Presidents Council and Division III Presidents Council, respectively. However, legislation in Divisions II and III is considered through a one-school, one-vote process at the NCAA Annual Convention. The governance structure also includes a NCAA Board of Governors composed of sixteen member institution chief executive officers that oversee association-wide issues. The NCAA Board of Governors is charged with ensuring that each division operates consistently with the basic purposes, fundamental policies, and general principles of the NCAA. The NCAA Board of Governors has representation from all three divisions and oversees the Association's finances, legal affairs, and the hiring and evaluation of the Association's President.

The NCAA is also comprised of the following entities:

- Collegiate Sports, LLC was formed in May 2007 for the purpose of being the sole member of certain limited liability companies organized by the NCAA including:
  - NIT, LLC, the entity that administers the Postseason NIT collegiate basketball event.
  - College Football Officiating, LLC, which pursues the development and maintenance of a national Division I college football officiating program.
  - Men's College Basketball Officiating, LLC and Women's College Basketball Officiating, LLC, which were formed to help improve the quality and consistency of officiating during NCAA basketball games, primarily at the Division I level.
- Collegiate Properties, LLC was organized in January 2009 for the primary purpose of advancing youth-based initiatives. Collegiate Properties, LLC, in cooperation with NBA Youth Basketball Holding, LLC, a member of the National Basketball Association (NBA) formed the joint venture Youth Basketball, LLC. Youth Basketball, LLC was organized for the purpose of focusing on activities and initiatives relating to youth basketball. During 2018, Youth Basketball, LLC was dissolved.

- March Madness Athletic Association, LLC was formed in February 2000 to settle a dispute between the NCAA and the Illinois High School Association (IHSA) over ownership of the March Madness trademark and to enhance the enforcement efforts against illegal use of the trademark.

ArbiterSports, LLC (ArbiterSports) was a provider of game management solutions. In August 2017, the NCAA sold its interest in ArbiterSports for $22.5 million in cash and a $2.8 million note receivable.

The financial results of the NCAA and the above entities are included in the consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets—The classification of the NCAA's net assets and its revenues, expenses, gains, and losses is based on the existence or absence of donor-imposed restrictions. Net assets are grouped into the following three categories:

Unrestricted Net Assets—Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Governors.

Temporarily Restricted Net Assets—Net assets whose use by the NCAA is subject to donor-imposed stipulations that can be fulfilled by actions of the NCAA pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted Net Assets—Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the NCAA.

Investments—Investments include debt and equity securities and U.S. government obligations having a maturity of more than three months, or intended to be held more than three months, and shares in mutual funds. Publicly traded investments are stated at fair value based on quoted market prices. Pooled equity and debt investments that are not publicly traded are stated at net asset value, as a practical expedient to fair value.

Accounts Receivable—Accounts receivable are amounts due to the NCAA from championships and various contractual rights fees, as well as provisional insurance recoveries related to legal settlements. Accounts receivable are shown net of any allowance for uncollectible amounts.

Contributions Receivable—Legally enforceable grants and pledges, including unconditional promises to give, are reported at their fair value at the date of the gift, less an allowance for uncollectible amounts, using a discount rate to reflect present value. All contributions receivable are considered to be available for unrestricted use unless specifically restricted by the donor.

Deferred Revenue and Deposits—Deferred revenue is generated by the sale of championship tickets up to a year before the actual event. Once the event occurs, the related revenue will be recognized. Deposits are funds to be returned to applicants who do not receive tickets for the event due to the demand exceeding the supply. Membership dues for future periods billed and collected prior to year-end are recorded as deferred revenue. Eligibility Center fees are deferred upon receipt and amortized from the registration date until the prospective student athlete's enrollment date.

Revenue Recognition—Revenue related to the Turner/CBS and ESPN agreements is recognized when earned pursuant to the corresponding agreement. Membership dues and all other revenue is recognized when earned.

Insurance Recoveries—Amounts recovered from insurance carriers for contingencies are recorded in Sales, services, and other and are recognized when realization of the claim for recovery is deemed probable, which is generally when an agreement has been reached with the insurance carrier.

Distribution of Revenues—In August 1990, the NCAA Board of Governors (formerly the Executive Committee) approved a plan to distribute revenues to member institutions for the year ended August 31, 1991, and each year thereafter.

For active Division I members, the plan consists of:

- A Basketball Performance Fund distribution based on historical performance in the Division I Men's Basketball Championship,
- An Equal Conference Fund distribution for active Division I basketball playing conferences,
- Broad-Based distributions based on Division I sports sponsorship and grants-in-aid,
- A Conference Grant distribution, and
- A Student Assistance Fund and Academic Enhancement Fund distributions for current Division I student-athletes to be used for academic and other needs.

For Division II members, the plan consists of sports sponsorship and an equal distribution among all active Division II members.

Cable Television Royalties Payable—The NCAA has represented the interests of the membership before the Copyright Royalty Tribunal Board (the "Tribunal") regarding rights fees for cable television broadcasts of collegiate sporting events since 1978. The NCAA acts as the collection agent for any cable television broadcast fees that relate directly to a NCAA member's submissions or the NCAA. As a result, a liability is recorded for fees received from the Tribunal that will ultimately be disbursed to members. Although claims are filed each year for the previous calendar year, royalties are distributed to claimants only when any and all controversies are resolved with the claimants. Accounts payable and accrued liabilities include $0 of cable television royalties payable as of both August 31, 2018 and 2017.

Several years may pass before the copyright office determines through administrative proceedings among the claimants that an allocation should be distributed. For the fiscal year ended August 31, 2018, $2,002,590 was distributed for royalties related to 2015. For the fiscal year ended August 31, 2017, $3,203,335 was distributed for royalties related to 2012 and 2014.

Goodwill and Intangible Assets—In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 350, *Intangibles—Goodwill and Other* ("ASC 350"), goodwill is not amortized, but an impairment test must be performed at least annually. Impairment testing in 2018 and 2017 resulted in no impairment charges.

Properties—Properties are recorded at cost. Maintenance and repairs are expensed in the year incurred. Expenditures that result in betterment or extensions of the useful lives of assets and exceed $5,000 are capitalized and depreciated over the remaining lives of such assets. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of their estimated lives or the life of the related lease.

The NCAA identifies and records impairment losses on properties whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. In accordance with the provisions of FASB ASC Subtopic 360-10, *Property, Plant, and Equipment—Overall*, recoverability of those assets is determined by comparing the forecasted undiscounted cash flows attributable to such assets over their remaining useful lives to their carrying value. If the carrying value of the assets exceeds the forecasted undiscounted cash flows, then the assets are written down to their fair value. Fair value is determined based on discounted cash flows or appraisal values, depending upon the nature of the assets.

Association-Wide Programs—Association-wide program expenses include costs for student-athlete programs and services, membership educational and promotional programs and services, legal services, and governance committee expenses. Expenses have been classified as program or management and general based primarily on actual expenditures. Fundraising costs for the NCAA are insignificant due to the nature of its operations.

Related Party Transactions—The NCAA is comprised of over 1,200 members. The NCAA charges and collects dues from members. Additionally, Division I and II members receive annual distributions.

In-Kind Exchanges—In-kind exchanges for goods and services are reflected as royalties and sales and services revenue and a related expense in the accompanying consolidated financial statements at their estimated values at date of receipt. In-kind exchanges for which no objective basis is available to measure the value are not reflected in the consolidated financial statements.

Income Taxes—The NCAA is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Income tax expense is provided for unrelated business income, if any. With a few exceptions, the NCAA is no longer subject to U.S. federal examinations by tax authorities for years before 2015.

ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management asserts that no such uncertain tax positions exist for the NCAA at August 31, 2018 or 2017.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted into legislation, which includes a broad range of provisions. The Act makes changes to the computation of unrelated business income tax liability by, among other provisions, reducing the corporate tax rate from 35% to 21%, and changing the rules for utilizing losses from unrelated trade or business activities. The Act did not have a material effect on the consolidated financial statements.

Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards—In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for all entities. ASU 2015-14 extended the effective date of this new standard, which for the NCAA is the fiscal year ending August 31, 2019. The NCAA is currently evaluating the effect this ASU will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 Leases, which requires a lessee to recognize most leases on the balance sheet thereby resulting in the recognition of lease assets and liabilities for those leases currently classified as operating leases. ASU 2016-02 is effective for the NCAA for the fiscal year ending August 31, 2020. The NCAA is currently evaluating the effect this ASU will have on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit (NFP) Entities*. The main provisions of this ASU, which amends Topic 958 *Not-for-Profit Entities* are:

- Present on the face of the statement of financial position and statement of activities amounts and amount of change for *net assets with donor restrictions* and *net assets without donor restrictions*, rather than the currently required three classes.

- Provide enhanced disclosures about:

  - Amounts and purposes of governing board designations

  - Composition of net assets with donor restrictions and how the restrictions affect the use of resources

  - Qualitative information that communicates how an NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet

  - Quantitative and qualitative information that communicates the availability of an NFP’s financial assets to meet cash needs for general expenditures within one year of the balance sheet date.

  - Amounts of expenses by both their natural classification and their functional classification

  - Method(s) used to allocate costs among program and support functions

- Report investment return net of external and direct internal investment expenses.

ASU 2016-14 is effective for the NCAA for the fiscal year ending August 31, 2019. The NCAA is currently evaluating the effect this ASU will have on the consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

Short-term investments with an original maturity of less than three months are reported as cash equivalents. Cash and cash equivalents include designated cash of $2,290,510 and $2,239,466 as of August 31, 2018 and 2017, respectively. Designated cash consists of compensating balances on deposit with banks for certain NCAA employee benefit plans, the Exceptional Student-Athlete Disability Insurance Program, and certain other balances. Money market funds managed by outside investment managers are included in investments.

4. FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value, which provides fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1—Assets or liabilities that are valued based on unadjusted quoted prices in active markets that are accessible at measurement date.

Level 2—Assets or liabilities that are valued based on inputs other than quoted prices that are observable, including quoted prices for similar assets or liabilities and other pricing models (which use observable inputs).

Level 3—Assets or liabilities that are valued based on unobservable inputs, including the reporting entity's own analysis of the underlying economic data that market participants would factor into the pricing of the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The NCAA measured the fair value of the investments as of August 31, 2018 and 2017, as follows:

	Level 1	Level 2	2018
Money market funds	$ 31,776,938	$ -	$ 31,776,938
U.S. equity mutual funds	373,735	-	373,735
Non-U.S. equity mutual funds	27,496,554	-	27,496,554
Global equity mutual funds	56,678,231	-	56,678,231
Lifecycle retirement mutual funds	945,060	-	945,060
Traditional fixed income:			
Government agency securities in U.S.	-	32,590,086	32,590,086
U.S. corporate securities	44,793	22,244,602	22,289,395
U.S. diverse mutual funds	33,189,426	-	33,189,426
Global corporate mutual funds	21,881,218	-	21,881,218
Unconstrained fixed income:			
Global diverse mutual funds	23,052,944	-	23,052,944
U.S. government mutual funds	22,900,912	-	22,900,912
Subtotal	$ 218,339,811	$ 54,834,688	273,174,499
Investments measured at net asset value (1):			
U.S. equity index funds			60,313,203
Non-U.S. equity mutual funds			27,624,526
U.S. diverse fixed income mutual funds			3,357,644
Opportunistic strategies—hedge funds			15,285,354
Bank loans			20,709,613
Total			$ 400,464,839

	Level 1	Level 2	2017
Money market funds	$ 115,557,314	$ -	$ 115,557,314
U.S. equity mutual funds	1,117,085	-	1,117,085
Non-U.S. equity mutual funds	30,198,710	-	30,198,710
Global equity mutual funds	61,524,880	-	61,524,880
Lifecycle retirement mutual funds	1,054,093	-	1,054,093
Traditional fixed income:			
Government agency securities in U.S.	-	37,814,258	37,814,258
U.S. corporate securities	368,625	23,294,571	23,663,196
U.S. diverse mutual funds	37,692,875	-	37,692,875
Global corporate mutual funds	26,041,215	-	26,041,215
Unconstrained fixed income:			
Global diverse mutual funds	24,681,715	-	24,681,715
U.S. government mutual funds	24,370,171	-	24,370,171
Subtotal	$ 322,606,683	$ 61,108,829	383,715,512
Investments measured at net asset value (1):			
U.S. equity index funds			66,645,147
Non-U.S. equity mutual funds			35,091,699
U.S. diverse fixed income mutual funds			1,128,173
Opportunistic strategies—hedge funds			17,010,649
Bank loans			19,746,590
Total			$ 523,337,770

(1) In accordance with ASU 2015-07 Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), investments for which fair value is measured using net asset value per share (or its equivalent) as a practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The methods used to estimate fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the NCAA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment income (loss) as of August 31, 2018 and 2017, consists of the following:

	2018	2017
Dividends and interest income	$ 11,762,221	$ 9,147,173
Realized gain—net	10,304,344	65,943,449
Unrealized gain (loss)—net	590,927	(27,963,709)
	$ 22,657,492	$ 47,126,913

The Association's alternative investments include investments in: (1) U.S. equity funds such as non-publicly traded stock index funds; (2) non-U.S. equity funds, including inflation hedge strategies and non-publicly traded stock index funds; (3) unconstrained fixed income funds such as non-publicly traded debt index funds; (4) opportunistic strategies such as hedge funds; and (5) bank loans. These investments are valued at net asset value (NAV) per share or its equivalent. Following is a summary of the alternative investments categorized by major security type, with a description of the investment managers' strategies, and the nature of any restrictions to redeem the investment value as of August 31, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
U.S. equity index funds [a]	$ 60,313,203	$ -	Daily	1 day
Non-U.S. equity mutual funds [b]	27,624,526	-	Daily, monthly	3 to 10 days
U.S. diverse fixed income mutual funds [c]	3,357,644	-	Daily	2 days
Opportunistic strategies—hedge funds [d]	15,285,354	-	Semi-monthly	30 days
Bank loans [e]	20,709,613	-	Monthly, quarterly	60 days
	$ 127,290,340	$ -		

[a] This category includes investments in pooled equity funds that invest in U.S. common stocks in an effort replicate performance of a particular stock index. This type of strategy seeks to invest in the same securities as the underlying index in approximately the same proportions as the underlying index.

[b] This category includes investments in exchange-traded funds as well as pooled equity funds that invest in international equity securities in an effort to replicate performance of a particular index. The replication strategy seeks to invest in the same securities as the underlying index in approximately the same proportions as the underlying index.

[c] This category includes investments in pooled fixed income funds that invest in U.S. debt securities in an effort to replicate performance of a particular index. This type of strategy seeks to invest in the same securities as the underlying index in approximately the same proportions as the underlying index.

[d] This category includes investments in hedge funds. This type of strategy seeks to capitalize on favorable market conditions through a variety of diverse strategies.

[e] This category includes investments in bank loans. This type of strategy seeks to hedge fixed income exposure during periods of rising interest rates due to low correlation to fixed income performance.

5. CONTRIBUTION RECEIVABLE AND FACILITIES LEASE

In July 1999, the NCAA leased its headquarters and related facilities from the Indiana White River State Park Development Commission. The NCAA's original lease agreement had a term of 30 years with three 10-year renewal options and required the NCAA to make annual lease payments in the amount of one dollar.

The State of Indiana, City of Indianapolis, and other interested parties provided funds for the construction of the NCAA's facilities in exchange for the NCAA moving its headquarters and for holding certain events, such as the Men's Final Four, in Indianapolis on a 5-year cycle. At the inception of the lease, the NCAA recorded the fair value of the contributed facility as restricted contribution revenue and a corresponding contribution receivable.

In March 2010, the NCAA amended its lease agreement with the White River State Park Development Commission to provide for an amended lease term of 50 years with three 10-year renewal options. In addition, the amended lease provided for a 3-acre parcel of real property that sits adjacent to the original NCAA headquarters to accommodate the 2012 expansion of the headquarters. The amendment does not alter the financial terms of the lease, and the NCAA is still required to make annual lease payments of one dollar. As a result of the new amendment, the NCAA reassessed the fair value of the contribution representing the fair value of the lease of the existing structure and new land. As of August 31, 2018 and 2017, the net contribution receivable related to the amended lease is $63,970,138 and $60,396,702, respectively.

Annual occupancy expense consists of the fair value of the current year contributed lease payment adjusted for the straight-line effect of lease expense and revenue recognized over the lease term. For the years ended August 31, 2018 and 2017, the related accrued lease expense was $1,821,554 and $1,890,608, respectively. An amount equal to occupancy expense is also reclassified from net assets with donor restrictions to net assets without donor restrictions to reflect the fulfillment of the donor-imposed restrictions associated with the original contribution. The net present value discount amortization follows the original contribution and is recorded as restricted contribution revenue using the effective interest method.

Contributions receivable—facilities as of August 31, 2018 and 2017, consists of the following:

	2018	**2017**
Fair value of remaining lease payments	$ 222,769,233	$ 225,833,161
Unamortized discount	(158,799,095)	(165,436,459)
Contributions receivable—facilities—net	$ 63,970,138	$ 60,396,702

Occupancy expense for the years ended August 31, 2018 and 2017, consists of the following:

	2018	**2017**
Fair value of lease payment	$ 3,063,928	$ 2,994,874
Accrued lease expense adjustment	1,821,554	1,890,608
Occupancy expense	$ 4,885,482	$ 4,885,482

6. GOODWILL AND INTANGIBLES

NCAA's intangible assets consist of the following:

As of August 31, 2018	**Cost**	**Accumulated Impairment**	**Accumulated Amortization**	**Net Book Value**
NIT:				
Goodwill	$ 19,703,283	$ (7,777,462)	$ (4,925,821)	$ 7,000,000
Trademark	2,600,000	-	(1,690,000)	910,000
Total NIT	$ 22,303,283	$ (7,777,462)	$ (6,615,821)	$ 7,910,000

As of August 31, 2017	Cost	Accumulated Impairment	Accumulated Amortization	Net Book Value
NIT:				
Goodwill	$ 19,703,283	$ (7,777,462)	$ (4,925,821)	$ 7,000,000
Trademark	2,600,000	-	(1,560,000)	1,040,000
Contracts	1,192,000	-	(1,192,000)	-
Total NIT	$ 23,495,283	$ (7,777,462)	$ (7,677,821)	$ 8,040,000

For the years ended August 31, 2018 and 2017, amortization expense related to intangible assets was $130,000 and $341,000, respectively. Trademarks have useful lives of fifteen to twenty years and contracts have useful lives of six to twelve years. Future expected amortization expense as of August 31, 2018 is as follows:

2019	$130,000
2020	130,000
2021	130,000
2022	130,000
2023	130,000
Thereafter	260,000
Total	$910,000

7. PROPERTIES

Properties consist of an 89,000 square foot warehouse and distribution facility, tenant finish improvements for the NCAA Dempsey headquarters building, the 130,000 square foot NCAA Brand headquarters building, conference facilities, furnishings, technology infrastructure, and equipment to support the NCAA national office.

Properties according to their specific category as of August 31, 2018 and 2017, are as follows:

	Estimated Useful Lives	2018	2017
Land		$ 350,000	$ 350,000
Buildings and improvements	30 years	42,645,542	42,597,642
Leasehold improvements	10–30 years	11,241,460	10,883,734
Furniture, equipment, and fixtures	3–10 years	39,268,620	36,838,925
		93,505,622	90,670,301
Less accumulated depreciation and amortization		(47,249,976)	(41,274,408)
Properties—net		$ 46,255,646	$ 49,395,893

Depreciation and amortization expense was $5,975,568 and $5,621,535 for the years ended August 31, 2018 and 2017, respectively.

8. COMMITMENTS AND CONTINGENCIES

In March 2016, the NCAA Board of Governors approved a one-time distribution of $200 million to Division I member institutions. The funds, which were distributed in the spring of 2017, are to be used by member institutions to directly support student-athletes through academic support, life skills and career success programs and student-athlete focused diversity and inclusion initiatives. The funding for this distribution came from the Association's quasi-endowment reserve.

The Association is named as a defendant or co-defendant in various legal proceedings, including those discussed below. The Association complies with the requirements of ASC Topic 450, Contingencies, and related guidance, and records liabilities for legal proceedings in those instances where the liability is deemed probable and the Association can reasonably estimate the amount of the loss (or a range of loss can be estimated). Once established, accruals are adjusted from time to time, as appropriate, to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the significant assumptions and judgment of management.

In July 2014, NCAA proposed a settlement in several consolidated class action lawsuits related to student-athlete concussion injury litigation. The settlement stipulates that the NCAA will provide $70 million to be used for concussion testing and diagnoses of current and former NCAA student-athletes ("medical monitoring fund"), as well as educational initiatives and research. Negotiations are continuing with NCAA insurers to fund the medical monitoring fund, should the settlement agreement reach final approval stage with the Court. Settlement is contingent upon a upon a funding model acceptable to the NCAA.

In August 2014, the NCAA received an unfavorable verdict in the O'Bannon v. NCAA lawsuit related to the alleged use of student-athletes' likenesses. The ruling included a provision for the NCAA to reimburse legal fees incurred by the plaintiffs. The NCAA recognized a liability for these legal fees in fiscal year 2015-16 in accounts payable and accrued expenses. In fiscal year 2017-18, the NCAA settled this liability.

In November 2016, the NCAA, as a co-defendant, proposed a $209 million settlement to the grant-in-aid cap antitrust litigation and recognized a corresponding liability in fiscal year 2015-16. The settlement was accepted by the plaintiffs and approved by the Court in November 2017. The plaintiffs in the cases had asserted that NCAA rules limiting athletic scholarships to full grant-in-aid violate the anti-trust laws. The settlement was remitted in two equal payments to a court-approved escrow account in September 2017 and January 2018 for future distribution to plaintiffs once third-party appeals are concluded.

The NCAA is a membership-driven organization dedicated to safeguarding the well-being of student-athletes and equipping them with the skills to succeed on the playing field, in the classroom and throughout life. NCAA members—mostly colleges and universities, but also conferences and affiliated groups—work together to create the framework of rules for fair and safe competition. Those rules are administered by NCAA national office staff, which also organizes national championships and provides other resources to support student-athletes and the schools they attend. The NCAA membership and national office work together to help membership student-athletes develop their leadership, confidence, discipline and teamwork through college sports. Decisions made by the NCAA are at times challenged by the affected parties through lawsuits. These lawsuits range from seeking to overturn legislation adopted by member schools to seeking monetary damages and reimbursement of legal fees.

The NCAA and its legal counsel defend against other lawsuits and claims arising in the normal course of its day-to-day activities. The NCAA does not believe the ultimate resolution of these matters will result in material losses or have a material adverse effect on the consolidated financial position, change in net assets, or cash flows of the NCAA. The NCAA has incurred attorney's fees in the process of defending against such matters, which are recorded in the accompanying consolidated financial statements. As of August 31, 2018, and 2017, the NCAA has recorded an accrual for the legal settlements within accounts payable and accrued liabilities.

In September 2014, the NCAA entered into an agreement with the U.S. Department of Defense on a $30 million joint initiative to enhance the safety of student-athletes and U.S. service members, specifically related to concussions. The NCAA agreed to provide one-half of the funding on this joint initiative. Under the agreement, approximately 75% of the funding is for a study and 25% is to finance educational initiatives. The research is managed by three research institutions, who are the recipients of the funding. In October 2017, the NCAA designated an additional $12.5 million for future research to be performed. As of August 31, 2017 and 2018 the NCAA's remaining commitment was $18.6 million and $15.7 million, respectively.

9. BONDS PAYABLE

On June 1, 2012, the NCAA issued tax-exempt bonds of $13,560,000 with fixed interest rates ranging from 3.00% to 5.00% with original maturities ranging from 2016 to 2025. The bonds were issued at a premium of $2,653,019. Interest is payable on May 1st and November 1st of each year. Proceeds from the bond issue were used to advance refund a portion of the Series 2005 revenue bonds since the bonds could not be redeemed at that time.

On May 1, 2010, the NCAA issued tax-exempt bonds of $18,750,000 with fixed interest rates ranging from 2.00% to 5.00% and with original maturities ranging from 2011 to 2020. The bonds were issued at a premium of $1,391,773. Interest is payable on May 1st and November 1st of each year. Proceeds from the bond issuance were used to partially finance the expansion of the NCAA's headquarters.

On November 1, 2005, the NCAA issued tax-exempt bonds of $31,750,000 with fixed interest rates ranging from 3.00% to 5.00% with original maturities ranging from 2006 to 2025. The bonds were issued at a premium of $775,288. Interest is payable on May 1st and November 1st of each year. Proceeds from the bond issue were used to advance refund a portion of the Series 1999 revenue bonds and fund certain costs associated with the acquisition and settlement of the NIT.

Principal payments as of August 31, 2018, due over the next five years and thereafter are as follows:

Fiscal Years Ending August 31	
2019	$ 4,580,000
2020	3,575,000
2021	1,305,000
2022	1,360,000
2023	1,425,000
Thereafter	3,075,000
Total bond principal payments	15,320,000
Unamortized premium and debt issue costs—net	1,508,652
Total bonds payable—net	$ 16,828,652

The fair value of the bonds payable is not materially different from its carrying value.

10. TELEVISION AND MARKETING RIGHTS FEES

On April 22, 2010, the NCAA entered into a Multimedia Agreement with CBS and Turner Broadcasting System Inc. (Turner). This agreement conveyed exclusive television and other internet and multimedia broadcast rights to CBS and Turner for 14 years in connection with the Division I Men's Basketball Championship. In addition, the agreement grants CBS and Turner marketing rights with respect to all NCAA championships. The agreement, which began in fiscal year 2011 and expires in 2024, provides payments of $10,800,000,000 to the NCAA over the agreement term.

On March 14, 2016, the NCAA extended its agreement with CBS and Turner for an additional 8 years (2025 thru 2032). Total payments to the NCAA under this extended agreement will be $8,800,000,000. These payments include $425,000,000 that will be prepaid by CBS and Turner beginning in 2018 through 2024 (the "Pre-Term Payments"). The remaining $8,375,000,000 will be paid from 2025 to 2032. A portion of the Pre-Term Payments will be deposited in an escrow with the remainder paid directly to the NCAA. As the Pre-Term Payments represent an advance on future contract years and are refundable to CBS and Turner should certain events occur, the Pre-Term Payments will be recognized as revenue in years 2025 through 2032 when no longer considered refundable in accordance with the terms of the contract.

The financial obligations of both agreements are guaranteed by Time Warner, Inc., the parent company of Turner. Pursuant to these agreements, for the years ended August 31, 2018 and 2017, the NCAA received $782,000,000 and $761,000,000, respectively.

The NCAA will recognize estimated future television broadcast revenue and licensing rights as follows:

Fiscal Years Ending August 31	
2019	$ 804,000,000
2020	827,000,000
2021	850,000,000
2022	870,000,000
2023	873,000,000
Thereafter	9,673,000,000
	$13,897,000,000

The Pre-Term Payments will be paid by CBS and Turner as follows:

Fiscal Years Ending August 31	Escrowed	Advanced to NCAA	Total
2018	$ 71,250,000	$ 3,750,000	$ 75,000,000
2019	67,500,000	7,500,000	75,000,000
2020	66,000,000	9,000,000	75,000,000
2021	41,250,000	8,750,000	50,000,000
2022	40,000,000	10,000,000	50,000,000
2023	25,000,000	25,000,000	50,000,000
2024	5,000,000	45,000,000	50,000,000
	$316,000,000	$109,000,000	$425,000,000

Amounts paid by CBS and Turner and held in escrow are not recognized in the consolidated financial statements as the NCAA does not have the right to control the escrow and the earnings process giving right to the funds has not occurred. Amounts received directly by the NCAA are deferred and included in the balance of Deferred revenue and deposits.

On December 15, 2011, the NCAA entered into a multi-media agreement with ESPN, Inc. and ESPN Enterprises, Inc. (collectively, ESPN). The agreement gives ESPN the rights to televise certain NCAA Fall, Winter, and Spring Championships, the NIT Pre-Season and Post-Season tournaments, and international distribution of the Division I Men’s Basketball Championship. The rights include live telecasting or other distributions of the Championships in compliance with the applicable NCAA rules and regulations and specific terms of the agreement. The terms of the agreement cover the fiscal year 2010–2011 (2010 Fall Championships) through fiscal year 2023–2024 (2024 Spring Championships) and provide for payments totaling $500,000,000 over the life of the 14-year contract. Pursuant to the agreement, for the years ended August 31, 2018 and 2017, the NCAA received $37,180,000 and $35,750,000, respectively.

The NCAA will receive estimated future television broadcast payments as follows:

Fiscal Years Ending August 31	
2019	$ 38,667,000
2020	40,214,000
2021	41,823,000
2022	43,496,000
2023	45,235,000
Thereafter	47,045,000
	$ 256,480,000

11. NET ASSETS

As of August 31, the NCAA has permanently restricted net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the NCAA as follows:

	2018	**2017**
NCAA Leadership Conference	$100,000	$100,000
Usher Scholarships	50,000	50,000
Total NCAA permanently restricted net assets	$150,000	$150,000

As of August 31, the NCAA has temporarily restricted net assets whose use by the NCAA is subject to donor-imposed stipulations that can be fulfilled by actions of the NCAA pursuant to those stipulations or that expire by the passage of time as follows:

	2018	**2017**
Facility lease	$ 45,971,796	$ 44,209,928
Student-athlete programs and services	2,304,940	2,443,033
Total NCAA temporarily restricted net assets	$ 48,276,736	$ 46,652,961

The NCAA Board of Governors has designated certain unrestricted net assets to fund future strategic and operational initiatives. While designated for specific purposes, these designations may be modified at the discretion of the NCAA Board of Governors.

As of August 31, unrestricted net assets include the following designations:

	2018	2017
Association-wide operating reserve	$ 179,500,000	$ 172,500,000
Division II reserve	41,373,663	39,838,986
Division III reserve	29,181,289	30,004,731
Contracted commitments	85,721,117	54,109,576
Furniture, technology, and properties	14,899,510	13,900,850
College Football Officiating, LLC	226,515	230,098
Available for operations and distributions	26,666,621	41,511,003
Total NCAA net assets without donor restrictions	$ 377,568,715	$ 352,095,244

12. PENSION PLAN AND EMPLOYEE BENEFITS

The NCAA has defined contribution plans, which include the NCAA Retirement Plan (the retirement plan), the NCAA 403(b) Savings Plan (the 403(b) plan), and the NCAA Qualified Savings Plan (the qualified savings plan). Employees become eligible for participation in the retirement plan and the qualified savings plan beginning in the quarter after the employee completes six months of service. Employees become eligible to contribute to the 403(b) plan on the first day of employment. The NCAA provides, through the retirement plan, a biweekly contribution to each employee's pension account at a rate of 10% of their annual compensation. The qualified savings plan is based on matching provisions from the employee's 403(b) savings plan program. The NCAA will provide matching contributions to the plan on the employee's behalf in an amount equal to 100% of the first 3% of compensation contributed to the 403(b) savings plan and 50% of the next 2% of compensation contributed to the 403(b) savings plan. A participant becomes eligible for the matching contribution only if the participant makes a deferral contribution in the 403(b) savings plan of at least 1% of their annual compensation. For the year ended August 31, 2018, the NCAA contributed $1,793,415 to the qualified savings plan and $4,494,102 to the retirement plan, for total contributions of $6,287,517 compared to total contributions of $6,060,773 for the year ended August 31, 2017.

13. SUBSEQUENT EVENTS

The NCAA has evaluated subsequent events from the consolidated statement of financial position date through December 11, 2018, the date at which the financial statements were issued, and determined there are no other items to disclose.

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SUPPLEMENTARY INFORMATION

NATIONAL COLLEGIATE ATHLETIC ASSOCIATION AND SUBSIDIARIES

SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

	NCAA	NIT, LLC	College Football Officiating, LLC	Consolidating Entries	Total
REVENUES:					
Television and marketing rights fees	$ 840,244,015	$ 4,023,469	$ -	$ -	$ 844,267,484
Championships and NIT tournaments	132,330,509	1,043,648	-	-	133,374,157
Investment income—net	22,657,492	-	-	-	22,657,492
Sales, services, and other	57,277,669	-	685,006	(505,916)	57,456,759
Contributions—facilities—net	6,647,348	-	-	-	6,647,348
Total revenues	1,059,157,033	5,067,117	685,006	(505,916)	1,064,403,240
EXPENSES:					
Distribution to Division I members	608,889,912	334,080	-	-	609,223,992
Division I championships, programs, and NIT tournaments	100,217,614	2,730,298	578,170	(125,000)	103,401,082
Division II championships, distribution, and programs	41,836,305	-	-	-	41,836,305
Division III championships and programs	32,321,528	-	-	-	32,321,528
Association-wide programs	207,488,189	-	-	(342,503)	207,145,686
Management and general	43,129,396	175,895	110,523	(38,413)	43,377,401
Total expenses	1,033,882,944	3,240,273	688,693	(505,916)	1,037,305,994
TOTAL CHANGE IN NET ASSETS	$ 25,274,089	$ 1,826,844	$ (3,687)	$ -	$ 27,097,246

See notes to consolidated financial statements.