NATIONAL COLLEGIATE ATHLETIC ASSOCIATION AND SUBSIDIARIES

Consolidated Financial Statements

August 31, 2008
(with summarized financial information for 2007)

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 1500
111 Monument Circle
Indianapolis, IN 46204

Independent Auditors' Report

The Executive Committee
National Collegiate Athletic Association
Indianapolis, Indiana:

We have audited the accompanying consolidated statement of financial position of the National Collegiate Athletic Association and subsidiaries (NCAA) as of August 31, 2008, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the NCAA's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the consolidated financial statements of the NCAA for the year ended August 31, 2007 and, in our report dated December 11, 2007, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of the NCAA and subsidiaries as of August 31, 2008, and the changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information included in the Schedule of Consolidating Statement of Activities is presented for purposes of additional analysis rather than to present the results of activities of the individual companies. The consolidating information referred to in this report has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly sated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

December 11, 2008

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NATIONAL COLLEGIATE ATHLETIC ASSOCIATION
AND SUBSIDIARIES

Consolidated Statement of Financial Position

August 31, 2008
(with comparative financial information as of August 31, 2007)

Assets		**2008**	**2007**
Cash and cash equivalents	$	8,315,852	7,209,112
Investments		356,660,532	321,970,021
Prepaid expenses		6,961,005	4,532,231
Receivables:			
Accounts receivable		5,780,040	19,232,415
Contributions receivable – facilities, net		51,099,215	51,501,398
Total receivables, net		56,879,255	70,733,813
NIT intangible assets, net		20,671,291	22,345,955
Properties, net		17,717,777	14,940,778
Other assets		1,819,229	2,036,103
Total	$	469,024,941	443,768,013
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	34,311,826	32,913,214
Distribution payable		8,854,214	12,575,595
Deferred revenue and deposits		14,900,614	5,648,634
Bonds payable, net		31,114,983	32,664,920
NIT payable, net		24,055,922	28,023,576
Accrued lease expense		5,424,133	4,927,691
Total liabilities		118,661,692	116,753,630
Net assets:			
Unrestricted		301,126,554	276,312,342
Temporarily restricted		49,088,661	50,554,007
Permanently restricted		148,034	148,034
Total net assets		350,363,249	327,014,383
Total	$	469,024,941	443,768,013

See accompanying notes to consolidated financial statements.

NATIONAL COLLEGIATE ATHLETIC ASSOCIATION
AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended August 31, 2008
(with comparative financial information for the year ended August 31, 2007)

	2008				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2007 summarized total**
Revenues:					
Television and marketing rights fees	$ 552,287,787	—	—	552,287,787	512,026,034
Championships and NIT tournaments	70,640,409	—	—	70,640,409	66,198,275
Investment income, net	(3,993,399)	(5,130)	—	(3,998,529)	32,981,412
Sales and services	14,519,175	—	—	14,519,175	7,612,372
Contributions – facilities, net	—	2,654,775	—	2,654,775	2,654,775
Contributions – other	—	191,811	—	191,811	318,939
Total revenues	633,453,972	2,841,456	—	636,295,428	621,791,807
Reclassifications:					
Temporarily restricted resources used for occupancy costs	3,553,400	(3,553,400)	—	—	—
Temporarily restricted resources used for program services	753,402	(753,402)	—	—	—
Total reclassifications	4,306,802	(4,306,802)	—	—	—
Expenses:					
Distribution to Division I members	359,349,169	—	—	359,349,169	331,925,602
Division I championships, programs and NIT tournaments	69,900,383	—	—	69,900,383	58,305,606
Division II championships, distribution and programs	29,846,478	—	—	29,846,478	26,639,186
Division III championships and programs	18,907,533	—	—	18,907,533	17,478,629
Association-wide programs	108,882,864	—	—	108,882,864	114,002,042
Management and general	26,060,135	—	—	26,060,135	26,431,656
Total expenses	612,946,562	—	—	612,946,562	574,782,721
Change in net assets	24,814,212	(1,465,346)	—	23,348,866	47,009,086
Net assets – beginning of year	276,312,342	50,554,007	148,034	327,014,383	280,005,297
Net assets – end of year	$ 301,126,554	49,088,661	148,034	350,363,249	327,014,383

See accompanying notes to consolidated financial statements

NATIONAL COLLEGIATE ATHLETIC ASSOCIATION
AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended August 31, 2008
(with comparative financial information for the year ended August 31, 2007)

		2008	2007
Cash flows from operating activities:			
Change in net assets	$	23,348,866	47,009,086
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization		4,626,435	3,524,228
Change in unrealized loss (gain) on investments		24,119,730	(10,192,756)
Realized gain on investments		(6,115,160)	(7,131,621)
Increase in accrued lease expense		496,442	496,442
Loss on disposal of properties		52,028	8,869
Changes in certain assets and liabilities:			
Receivables		13,854,558	(11,048,535)
Prepaid expenses		(2,428,774)	(1,208,625)
Other assets		216,874	193,008
Accounts payable and accrued liabilities		1,398,612	15,722,869
Distribution payable		(3,721,381)	(1,816,816)
Deferred revenue and deposits		9,251,980	(659,976)
NIT payable		(1,472,222)	(1,292,516)
Net cash provided by operating activities		63,627,988	33,603,657
Cash flows from investing activities:			
Capital expenditures		(5,820,735)	(5,059,058)
Purchases of investments		(69,527,225)	(95,138,768)
Proceeds from sales of investments		16,832,144	71,490,755
NIT payable		(2,495,432)	(2,675,138)
Net cash used in investing activities		(61,011,248)	(31,382,209)
Cash flows from financing activities:			
Payment of bond payable		(1,510,000)	(1,450,000)
Net cash used in financing activities		(1,510,000)	(1,450,000)
Net increase in cash and cash equivalents		1,106,740	771,448
Cash and cash equivalents:			
Beginning of year		7,209,112	6,437,664
End of year	$	8,315,852	7,209,112
Supplemental disclosures:			
Cash paid for interest	$	1,478,758	1,534,933

See accompanying notes to consolidated financial statements.

(1) The Association

The National Collegiate Athletic Association (the NCAA or the Association) is an unincorporated not-for-profit educational organization founded in 1906. The NCAA is the organization through which the colleges and universities of the nation speak and act on athletics matters at the national level. It is a voluntary association of more than 1,000 institutions, conferences and organizations devoted to the sound administration of intercollegiate athletics in all its phases. Through the NCAA, its members consider any athletics issue that has crossed regional or conference lines and is national in character. The NCAA strives for integrity in intercollegiate athletics and serves as the colleges' national athletics accrediting agency. A basic purpose 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 an eighteen member Board of Directors that approves legislation. The Division II and III presidential boards are known as the Presidents Council; however, legislation in Division II and III is considered through a one-school, one-vote process at the NCAA Annual Convention. The governance structure also includes an Executive Committee composed of sixteen chief executive officers (member institution chief executive officers) that oversee association-wide issues which is charged with ensuring that each division operates consistently with the basic purposes, fundamental policies and general principles of the NCAA. The Executive Committee has representation from all three divisions and oversees the Association's finances and legal affairs.

In September, 2005, the NCAA organized the NIT, LLC, a limited liability company. The NCAA is the sole member of the company. The NIT, LLC was organized as the entity that will administer the NIT Season Tip-Off and the Postseason NIT collegiate basketball events. The financial results of the NIT, LLC are consolidated in the financial statements of the NCAA. All significant intercompany balances and transactions have been eliminated in consolidation.

In January, 2007, the NCAA organized the Eligibility Center, LLC, a limited liability company. The NCAA is the sole member of the company. The Eligibility Center, LLC was organized for the primary purpose of performing academic and amateurism eligibility certification decisions for prospective student-athletes desiring to compete for NCAA Division I and II member institutions. In October, 2007, the Eligibility Center assumed the administrative responsibility for the National Letter of Intent program. The financial results of the Eligibility Center, LLC are consolidated in the financial statements of the NCAA. All significant intercompany balances and transactions have been eliminated in consolidation.

In May, 2007, the NCAA organized the Collegiate Sports, LLC, a limited liability company. The NCAA is the sole member of the company. The Collegiate Sports, LLC was organized for the primary purpose of being the sole member of the limited liability companies organized by the NCAA. The ownership of the NIT, LLC and Eligibility Center, LLC were transferred from the NCAA to the Collegiate Sports, LLC in May, 2007.

In August, 2007, the NCAA organized the College Football Officiating, LLC, a limited liability company. Collegiate Sports, LLC is the sole member of the company. The College Football Officiating, LLC was organized to pursue the development and maintenance of a national Division I college football officiating program. The College Football Officiating, LLC did not have any transactions in the year ended August 31, 2008.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the NCAA's consolidated financial statements for the year ended August 31, 2007, from which the summarized information was derived.

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 Executive Committee.

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.

(b) Investments

Investments include debt securities 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 fair value based on the NCAA's ownership percentage of the pooled investments multiplied by the fair value of the publicly traded underlying investments.

(c) Accounts Receivable

Accounts receivable are amounts due to the NCAA from championships, insurance policies proceeds, and various contractual rights fees.

(d) Contributions Receivable, Other

Legally enforceable grants and pledges, including unconditional promises to give, are reported at their fair market 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.

(e) 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.

(f) Revenue Recognition

Revenue related to the CBS and ESPN contracts is recognized when earned pursuant to the corresponding agreement. Membership dues are recognized as revenue in the period earned. All other revenue is recognized when earned.

(g) Intangible Assets

Pursuant to Financial Accounting Standards Board (FASB) Statement No. 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets acquired in a business combination between not-for-profit organizations, are accounted for in accordance with Accounting Principles Board (APB) No. 17, *Intangible Assets*, whereby intangible assets acquired by a not-for-profit organization are recognized at the fair value of the intangible, including goodwill, and amortized over a period not to exceed 40 years.

(h) Long-Lived Assets

The NCAA identifies and records impairment losses on long-lived assets whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. In accordance with FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, recoverability of those assets is determined by comparing the forecasted undiscounted cash flows attributable to such assets 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.

(i) 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 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.

(j) 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. Expenditures 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.

(k) 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.

(l) 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.

(m) Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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.

(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 $1,716,629 and $3,092,651 as of August 31, 2008 and 2007, respectively. The designated cash consists of compensating balances on deposit with banks for certain NCAA employee benefit plans and the Exceptional Student-Athlete Disability Insurance Program. Money market funds managed by outside investment managers are included in investments.

(4) Investments

Investments as of August 31 consist of the following:

		2008	2007
Money market funds	$	28,006,222	25,784,421
Domestic pooled equity funds		49,742,357	84,185,539
International pooled equity funds		24,588,226	8,802,249
Domestic mutual funds		16,051,183	13,234,417
International mutual funds		33,136,526	39,240,869
Global investment funds		17,674,419	—
U.S. government securities		14,101,367	13,796,167
Government and corporate fixed income funds		125,402,887	98,250,316
Fixed income securities		47,957,345	38,676,043
Investments	$	356,660,532	321,970,021

Investment income as of August 31 consists of the following:

		2008	2007
Interest income	$	14,006,041	15,657,035
Realized gain, net		6,115,160	7,131,621
Unrealized gain/(loss), net		(24,119,730)	10,192,756
Investment income, net	$	(3,998,529)	32,981,412

(5) Accounts Receivable

As of August 31, 2008 and 2007, the NCAA has accounts receivable from championships and various contractual rights fees of $5,780,040 and $10,213,765, respectively. Also included in accounts receivable as of August 31, 2007 is $9,018,650 due from the Association's insurance policies related to insurance claims for the period ended August 31, 2007. No insurance receivables were recorded as of August 31, 2008.

(6) Contribution Receivable and Facilities Lease

The NCAA relocated its headquarters from Overland Park, Kansas to White River State Park near downtown Indianapolis, Indiana in July 1999. The NCAA leases its headquarters and related facilities from the Indiana White River State Park Development Commission. The NCAA's lease has a term of 30 years with three 10-year renewal options and requires 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.

At the inception of the lease, the NCAA recorded temporarily restricted contribution revenue and a corresponding contribution receivable representing the fair value of the total contributed facility lease payments less the corresponding net present value discount. Annual occupancy expense consists of the fair value of the current year contributed lease payment adjusted for the straight line effect of scheduled increases. As of August 31, 2008 and 2007, the related accrued lease expense is $5,424,133 and $4,927,691, respectively. An amount equal to occupancy expense is also reclassified from temporarily restricted net assets to unrestricted net assets 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 temporarily restricted contribution revenue.

Contributions receivable – facilities as of August 31 consists of the following:

		2008	2007
Fair value of remaining lease payments	$	186,050,306	189,107,264
Unamortized discount		(134,951,091)	(137,605,866)
Contributions receivable - facilities, net	$	51,099,215	51,501,398

Occupancy expense for the years ended August 31 consists of the following:

		2008	2007
Fair value of lease payment	$	3,056,958	3,056,958
Accrued lease expense adjustment		496,442	496,442
Occupancy expense	$	3,553,400	3,553,400

(7) National Invitation Tournament

In August, 2005, the NCAA and the Metropolitan Intercollegiate Basketball Association (MIBA) agreed to terms under which the NCAA purchased the rights and assets identified in organizing, promoting and administering the preseason and postseason National Invitation Tournaments (NIT). The NCAA agreed to pay MIBA $56,250,000 over a nine year period pursuant to the terms and conditions of a lawsuit settlement and an asset purchase agreement (the Agreements), including guaranteed minimum profit sharing payments of $250,000 in each of those nine years. The terms of the Agreements transfer the ownership of the tournaments and settle all litigation matters between the NCAA and MIBA.

Pursuant to a third party valuation, as of August 31, 2005, the value of the intangible assets acquired by the NCAA were $34,000,000 (before imputed interest of $8,304,717) resulting in $22,250,000 (before present

value discount of $3,236,399) of settlement expense in the statement of activities for the year ended August 31, 2005. Imputed interest and present value discount rates were at 6%.

As of August 31, 2008, the related NIT intangible assets acquired consist of the following:

	Estimated useful lives	
Goodwill	20 years	$ 19,703,283
Trademark	20 years	2,600,000
Noncompete agreement	5 years	2,200,000
ESPN contract	12 years	1,000,000
Participant contracts	5 years	125,000
Madison Square Garden contract	6 years	54,000
Domain name/website	6 years	13,000
		$ 25,695,283
Less accumulated amortization		(5,023,992)
NIT intangible assets, net		$ 20,671,291

Amortization expense was $1,674,664 for the year ended August 31, 2008.

Future cash payments related to the Agreements as of August 31, 2008:

Years ending August 31:	
2009	$ 5,250,000
2010	5,250,000
2011	5,250,000
2012	5,250,000
2013	5,250,000
Thereafter	5,500,000
Total	31,750,000
Imputed interest and present value discount	(7,694,078)
NIT payable, net	$ 24,055,922

(8) Properties

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

Properties according to their specific category as of August 31 are as follows:

	Estimated useful lives	2008	2007
Land		$ 350,000	350,000
Buildings and improvements	30 years	4,490,839	4,232,369
Leasehold improvements	10 – 30 years	9,545,104	9,545,104
Furniture, equipment, and fixtures	3 – 10 years	20,487,945	15,226,666
		34,873,888	29,354,139
Less accumulated depreciation and amortization		(17,156,110)	(14,413,361)
Properties, net		$ 17,717,778	14,940,778

Depreciation expense was $2,991,708 and $1,889,500 for the years ended August 31, 2008 and 2007, respectively.

(9) Commitments and Contingencies

The NCAA acts as the governing body for college athletics. In the course of carrying out its responsibilities, the NCAA is the target of litigation from student-athletes, coaches, universities and the general public. In addition, decisions made by the NCAA to enforce legislation and rules, as well as eligibility determination for student-athletes, are often challenged by the affected parties through lawsuits. These lawsuits range from seeking to overturn NCAA committee and legislative decisions to seeking monetary damages and reimbursement of legal fees.

The NCAA and its legal counsel are defending against 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 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.

(10) Bonds Payable

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 maturities ranging from 2006 to 2025. The bonds were issued at a premium of $775,288. Interest is payable on May 1 and November 1 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. Bond issue costs of $254,938, less $38,870 accumulated amortization, are included in other assets in the accompanying consolidated statement of financial position.

On August 15, 1999, the NCAA issued $15,355,000 face, tax exempt, fixed rate bonds with interest rates ranging from 3.70% to 5.70% with maturities ranging from 2000 to 2014. The bonds were issued at a $107,904 discount. Interest is payable on May 1 and November 1 of each year. Proceeds from the bond issue were used to finance the construction and equipping of a warehouse and distribution facility and certain improvements, furnishings and equipment for the NCAA's headquarters in Indianapolis, Indiana and to pay costs of issuance of the Series 1999 Bond. On November 1, 2005, $9,640,000 of the outstanding bonds were legally defeased through refinancing in the 2005 Series bond issue and have been removed from the statement of financial position. In August 2006, $146,676 in unamortized bond issuance costs and $67,743 in unamortized discount were written off. Remaining bond issue costs of $86,956, less $84,382 accumulated amortization, are included in other assets in the accompanying consolidated statement of financial position.

Principal payments as of August 31, 2008, due over the next five years are as follows:

	Series 2005 principal amount	Series 1999 principal amount	Total
Years ending August 31:			
2009	$ 850,000	720,000	1,570,000
2010	1,630,000	—	1,630,000
2011	1,700,000	—	1,700,000
2012	1,775,000	—	1,775,000
2013	1,845,000	—	1,845,000
Thereafter	21,940,000	—	21,940,000
	29,740,000	720,000	30,460,000
Unamortized premium/discount, net			654,983
Total bonds payable, net			$ 31,114,983

(11) Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments (*SFAS 107*)*, requires disclosure of the fair value of financial assets and liabilities for which it is practicable to estimate. Fair value is defined in SFAS 107 as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The NCAA believes the carrying amounts of its financial instruments (excluding long-term debt) approximate their fair values due to the relatively short maturity of these instruments. The fair value of long-term debt approximates the carrying value based on an estimate using the NCAA's current borrowing rate for similar types of borrowing arrangements.

(12) Distribution of Revenues

In August 1990, the NCAA Executive Committee approved a plan to distribute revenues to member institutions for the year ended August 31, 1991, and each year thereafter. For Division I members, the plan consists of a basketball fund distribution based on historical performance in the Division I Men's Basketball Championship, a broad-based distribution based on Division I sports sponsored and athletics grants-in-aid, an academic enhancement fund for academic programs for student-athletes, a student-athlete opportunity fund, a conference grant program and a special assistance fund for student-athletes to be used for emergency situations. For Division II members, the plan consists of a basketball fund distribution based on historical performance in the Division II Men's and Women's Basketball Championship, sports sponsorship, and an equal distribution among all active members.

The distribution payable of $8,854,214 and $12,575,595 as of August 31, 2008 and 2007, respectively, primarily consists of payments that were made in late August that remained outstanding at the end of each fiscal year.

(13) Cable Television Royalties Payable

The NCAA has represented the interests of the membership before the Copyright Royalty Tribunal (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 NCAA members 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. No cable television rights fee obligations were recorded as of August 31, 2008 or 2007.

Amounts are distributed after all legal claims have been resolved. 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, 2008, $4,067,389 was distributed for royalties for the years 2003-2005. For the fiscal year ended August 31, 2007, $5,740,279 was distributed for royalties for the years 1993-2004.

(14) Television and Marketing Rights Fees

On November 18, 1999, the NCAA entered into an agreement with CBS (the CBS agreement) that provides CBS exclusive television broadcast rights for the Division I Men's Basketball Championship along with other championship and marketing rights effective from fiscal 2003 and continuing through fiscal 2013. The agreement is for 11 years, with the NCAA having an option to renegotiate after eight years. The rights fees include: telecast rights, including over-the-air cable, satellite, digital and home video, marketing rights, championships publication program rights, radio rights, internet rights, fan festival rights, and selected licensing rights. The contract also includes year-round promotion of the NCAA and its championships.

The rights fee for this package is a guaranteed minimum of $6.0 billion over the 11-year contract. Pursuant to the agreement, for the year ended August 31, 2008, the NCAA received $529,000,000 ($490,000,000 for the year ended August 31, 2007). The NCAA will receive future television broadcast payments as follows:

Fiscal year ending August 31:	
2009	$ 571,000,000
2010	617,000,000
2011	657,000,000
2012	710,000,000
2013	764,000,000
	$ 3,319,000,000

On June 29, 2001, the NCAA entered into an agreement with ESPN (the ESPN agreement) that provides ESPN exclusive television broadcast rights for the Division I Women's Basketball championship along with broadcast rights to other NCAA championships, excluding those to which rights have been granted to CBS. The contract is effective from fiscal year 2003 and continues through fiscal year 2013. The ESPN agreement is for 11 years, with the NCAA having an option to renegotiate after eight years.

The rights fee for this package is on a fixed, nonrefundable basis for the sum of $163 million over the 11-year contract. Pursuant to the ESPN agreement, for the years ended August 31, 2008 and 2007, the NCAA received $14,800,000 and $13,800,000, respectively.

The NCAA will receive future television broadcast payments as follows:

Fiscal year ending August 31:	
2009	$ 15,800,000
2010	16,800,000
2011	17,900,000
2012	18,800,000
2013	19,100,000
	$ 88,400,000

(15) 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:

		2008	2007
NCAA Leadership Conference	$	98,034	98,034
Usher Scholarships		50,000	50,000
Total permanently restricted net assets	$	148,034	148,034

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:

		2008	2007
Facility lease	$	45,680,082	46,578,707
Student-athlete programs and services		3,408,579	3,975,300
Total temporarily restricted net assets	$	49,088,661	50,554,007

The NCAA Executive Committee 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 Executive Committee.

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

		2008	2007
Association-wide operating reserve	$	75,000,000	70,000,000
Quasi-endowment reserve		163,232,075	159,644,151
Division II reserve		14,141,049	16,523,028
Division III reserve		13,218,174	12,680,107
Contracted commitments		11,915,000	—
Furniture and equipment		10,315,399	6,702,462
Office building improvement reserve		5,649,118	3,362,118
Good of the Game reserve		1,832,102	884,312
Championships anniversaries reserve		195,294	195,294
College Football Officiating, LLC reserve		145,534	—
Eligibility Center reserve		—	252,675
Available for operations		5,482,809	6,068,195
Total unrestricted net assets	$	301,126,554	276,312,342

(16) Pension Plan and Employee Benefits

The NCAA has defined contribution plans, which include the pension trust plan, the 403(b) savings plan and the 401(a) qualified savings plan. Employees become eligible for participation in the pension trust plan and the 401(a) qualified savings plans beginning in the quarter after the employee completes six months of service.

The NCAA provides, through the pension trust plan, a bi-weekly contribution to each employee's pension account at a rate of 10% of their salary. The NCAA's 401(a) 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 contribution 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. For the year ended August 31, 2008, the NCAA contributed $899,831 to the 401(a) qualified savings plan and $2,840,698 to the pension trust plan, for total contributions of $3,740,529 compared to total contributions of $3,047,515 for the year ended August 31, 2007.

(17) Subsequent Events

On September 11, 2008, the NCAA purchased two-thirds interest of Advanced Business Technology, Inc., a Utah corporation that is in the business of web-based applications development of the officiating market, including official assignment software, official payment facilitation, data collection, and sales and other related business conducted primarily under the name The Arbiter. The NCAA formed The Arbiter, LLC, an Indiana limited liability company and wholly owned subsidiary of the NCAA for purposes of consummating the actions and conducting business for this acquisition. The purchase price for two-thirds interest was $8.0 million.

On September 25, 2008, the NCAA purchased Excel Sports Officiating, LLC, (ESO), a Delaware limited liability company that is in the business of providing web-based educational and certification applications for athletics officials. The NCAA formed eOfficials, LLC, an Indiana limited liability company, a wholly owned subsidiary of the NCAA for purposes of consummating the actions and conducting business for the acquisition. The purchase price was $1,010,405 and the NCAA acquired ninety-two and a half percent of the company while the remaining seven and a half percent was purchased by Richard L. Alderson, a principle of ESO. Upon closing, the NCAA sold five percent of The Arbiter, LLC to Alderson for the purchase price of $600,000 bringing the net cost of The Arbiter purchase to $7.4 million.

Recent market conditions have resulted in an unusually high degree of volatility and increased the risk associated with certain investments held by the Association which could impact the value of investments after the date of these financial statements. As of November 30, 2008, the Associations investment portfolio has decreased by approximately 28 percent since August 31, 2008.

NATIONAL COLLEGIATE ATHLETIC ASSOCIATION
AND SUBSIDIARIES

Schedule of Consolidating Statement of Activities

Year ended August 31, 2008

	NCAA	NIT, LLC	Eligibility Center, LLC	Total
Revenues:				
Television and marketing rights fees	$ 549,517,787	2,770,000	—	552,287,787
Championships and NIT tournaments	67,700,370	2,940,039	—	70,640,409
Investment income, net	(4,117,052)	65,404	53,119	(3,998,529)
Sales and services	5,672,773	109,849	8,736,553	14,519,175
Contributions – facilities, net	2,654,775	—	—	2,654,775
Contributions – other	191,811	—	—	191,811
Total revenues	621,620,464	5,885,292	8,789,672	636,295,428
Expenses:				
Distribution to Division I members	359,349,169	—	—	359,349,169
Division I championships, programs and NIT tournaments	64,231,221	5,669,162	—	69,900,383
Division II championships, distribution and programs	29,846,478	—	—	29,846,478
Division III championships and programs	18,907,533	—	—	18,907,533
Association-wide programs	100,444,796	—	8,438,068	108,882,864
Management and general	25,838,748	221,387	—	26,060,135
Total expenses	598,617,945	5,890,549	8,438,068	612,946,562
Change in net assets	23,002,519	(5,257)	351,604	23,348,866
Net assets – beginning of year	327,277,446	91,521	(354,584)	327,014,383
Net assets – end of year	$ 350,279,965	86,264	(2,980)	350,363,249

See accompanying notes to consolidated financial statements.