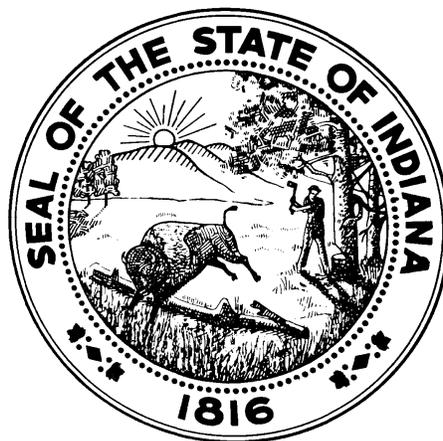


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT  
OF

BALL STATE UNIVERSITY  
NCAA FINANCIAL REPORT  
MUNCIE, INDIANA

July 1, 2006 to June 30, 2007



**FILED**  
01/15/2008





# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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## INDEPENDENT ACCOUNTANT'S REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES

Dr. Jo Ann Gora  
President  
Ball State University  
2000 W. University Avenue  
Muncie, Indiana 47306

We have performed the procedures enumerated below, which were agreed to by the chief executive of Ball State University, solely to assist you in evaluating whether the accompanying statement of revenue and expenses of Ball State University is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3 for the year ended June 30, 2007. Ball State University's management is responsible for the statement of revenue and expenses ("statement") and the statements compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### Agreed-Upon Procedures Related to the Statement of Revenues and Expenditures

- a. We obtained the Statement of Revenues and Expenditures for the Year Ended June 30, 2007, Exhibit A, as prepared by management and attached to this document. We recalculated the addition of the amounts on the statement, traced the University amounts on the statements to management's worksheets, and to the 3-35600 series of accounts on the University's financial accounting system. We compared the Foundation amounts to a summary of accounts obtained from the Ball State Foundation.
- b. We compared current year amounts with prior year amounts for each classification of University accounts on Exhibit A and supported fluctuations of greater than \$25,000 or 10% of the prior year's amount.
- c. We compared total revenues and expenditures by classification to the prior year's financial report, noting that the current year amounts compare favorably with the prior year amounts.
- d. The attached statement of Revenues and Expenditures is a summary of the transactions for the Intercollegiate Athletics. The statement includes the revenues and expenditures relating to Intercollegiate Athletics recorded in the Ball State Foundation's (an outside booster organization) accounting records. We did not examine any supporting documentation for the financial information reported by the Ball State Foundation.

INDEPENDENT ACCOUNTANT'S REPORT ON  
THE APPLICATION OF AGREED-UPON PROCEDURES  
(Continued)

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenue and Expenditures of Ball State University. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above, and is not intended to be and should not be used by anyone other than these specified parties.

January 8, 2008

STATE BOARD OF ACCOUNTS

*State Board of Accounts*

BALL STATE UNIVERSITY  
STATEMENT OF REVENUES AND EXPENDITURES  
INTERCOLLEGIATE ATHLETICS  
For the Year Ended June 30, 2007

	2007						2006
	Football	Mens Basketball	Womens Basketball	Other Sports	Non-Program Specific	Total	Total
<u>University Accounts:</u>							
<u>Revenues:</u>							
Ticket sales	\$ 456,469	\$ 268,178	\$ 22,822	\$ 4,328	\$ 3,624	\$ 755,421	\$ 632,436
Contributions	47,046	27,183	19,168	274,048	309,932	677,377	525,715
Guarantees	720,000	80,000	19,886	10,500	--	830,386	1,103,500
Concession commissions	15,796	10,444	3,380	1,274	309	31,203	29,860
Royalty and licensing commissions	--	--	--	--	60,000	60,000	60,000
Printed programs	2,977	476	102	6,727	2,459	12,741	1,779
Parking fees	35,090	13,657	--	--	--	48,747	43,945
NCAA and MAC revenue	--	--	--	--	786,496	786,496	673,753
Dedicated student fees	389,125	--	--	--	7,923,935	8,313,060	7,542,280
Additional designated support	--	5,300	--	66,849	360,796	432,945	A 439,861
<u>General fund support for:</u>							
Salaries	92,869	--	258,921	900,277	679,823	1,931,890	1,931,612
Staff benefits	36,534	--	74,578	353,281	264,109	728,502	734,592
Other	18,608	5,455	1,654	65,938	283,465	375,120	298,976
<b>TOTAL REVENUES</b>	<b>\$ 1,814,514</b>	<b>\$ 410,693</b>	<b>\$ 400,511</b>	<b>\$ 1,683,222</b>	<b>\$ 10,674,948</b>	<b>\$ 14,983,888</b>	<b>\$ 14,018,309</b>
<u>Expenditures:</u>							
Coaches' salaries	\$ 831,904	\$ 376,517	\$ 258,921	\$ 1,087,225	\$ --	\$ 2,554,567	\$ 2,418,338
Salaries and wages	114,040	62,505	13,997	6,500	1,656,106	1,853,148	1,750,489
Staff benefits	321,908	136,036	75,712	404,482	626,624	1,564,762	1,385,228
Operating supplies	246,347	37,263	16,791	146,292	116,956	563,649	529,207
Rental of equipment and facilities	2,433	651	402	40,388	24,879	68,753	85,406
Awards	13,883	2,052	2,302	21,129	--	39,366	19,137
Guarantees	300,000	110,000	27,273	9,951	--	447,224	67,607
Telephone	23,547	12,284	8,692	24,373	45,211	114,107	113,429
Travel	319,028	273,345	134,370	669,462	50,981	1,447,186	1,468,622
Meals and lodging	199,212	29,133	21,125	28,016	16,539	294,025	228,275
Officials	42,811	56,024	29,322	61,139	--	189,296	160,949
Postage	15,557	13,235	3,515	10,461	13,740	56,508	68,454
Printing and photography	13,171	13,333	10,718	41,182	39,598	118,002	131,552
Grants-in-aid	1,814,968	377,553	271,294	2,324,133	30	4,787,978	4,474,662
Association dues	--	275	580	4,752	74,107	79,714	78,800
Equipment	--	24,338	--	24,268	34,405	83,011	31,585
Repairs and maintenance	62,542	20,134	1,418	23,380	78,692	186,166	597,626
Insurance	109,735	21,466	7,435	64,824	25,418	228,878	137,688
Provision for doubtful accounts	--	--	--	--	274	274	852
Other miscellaneous expenses	179,261	13,996	7,266	22,188	92,875	315,586	262,094
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,610,347</b>	<b>\$ 1,580,140</b>	<b>\$ 891,133</b>	<b>\$ 5,014,145</b>	<b>\$ 2,896,435</b>	<b>\$ 14,992,200</b>	<b>\$ 14,010,000</b>
<b>REVENUES OVER/(UNDER) EXPENDITURES</b>	<b>\$ (2,795,833)</b>	<b>\$ (1,169,447)</b>	<b>\$ (490,622)</b>	<b>\$ (3,330,923)</b>	<b>\$ 7,778,513</b>	<b>\$ (8,312)</b>	<b>\$ 8,309</b>
<u>Foundation Accounts:</u>							
Revenues	\$ 5,542,956	\$ 160,150	\$ (71,470)	\$ 455,418	\$ 726,925	\$ 6,813,979	\$ 1,745,868
Expenditures	8,826,605	161,762	72,090	592,844	579,737	10,233,037	752,715
<b>REVENUES OVER/(UNDER) EXPENDITURES</b>	<b>\$ (3,283,649)</b>	<b>\$ (1,612)</b>	<b>\$ (143,559)</b>	<b>\$ (137,426)</b>	<b>\$ 147,188</b>	<b>\$ (3,419,058)</b>	<b>\$ 993,153</b>

A = Includes \$260,810.32 to Fund Deficit from Account 3-35600-0921

The accompanying notes are an integral part of the Schedule.

BALL STATE UNIVERSITY  
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
AS OF JUNE 30, 2007

Note 1. Basis of Presentation

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenditures of the intercollegiate athletics programs of the University for the year ended June 30, 2007. The Schedule includes those intercollegiate athletics revenues and expenditures made on behalf of the University's athletic programs by outside organizations not under the accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in financial position, or cash flows for the year ended. Revenues and expenditures not directly identifiable to a specific sport are reported under the category, "Non-Program Specific."

Note 2. Affiliated Organizations

The University received \$10.2 million from the Ball State University Foundation, Inc. The amounts received are included in the accompanying schedule identified separately as Foundation Accounts. Approximately \$1,150,000 of these funds were for grant-in-aid scholarships for student athletes and \$8,400,000 was for the new football stadium. The remaining \$650,000 is recorded in contribution revenue in the accompanying schedule.

Note 3. Capital Assets

Capital assets consists of buildings and equipment which are stated at historical cost or actual cost where determinable. Construction-in-Progress (CIP) is capitalized at actual cost as expenditures are incurred. All gifts of capital assets are recorded at fair market value as of the date of the donation.

Repair and replacement expenditures that do not extend the useful life of the asset, and expenditures for personal property of less than \$5,000 are expensed rather than capitalized.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 50 years for Buildings and 3 to 10 years for Equipment.

A summary of changes in capital assets associated with the Intercollegiate Athletics Programs follows for the year ended June 30, 2007:

BALL STATE UNIVERSITY  
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
AS OF JUNE 30, 2007  
(Continued)

Category	2006 Beginning Balance	Additions	Deletions	2007 Ending Balance
Depreciable Capital Assets:				
Buildings	\$ 51,745,142	\$ 11,267,537	\$ -	\$ 63,012,679
Equipment	<u>759,652</u>	<u>145,869</u>	<u>80,294</u>	<u>825,227</u>
Total Capital Assets	<u>52,504,794</u>	<u>11,413,406</u>	<u>80,294</u>	<u>63,837,906</u>
Less: Accumulated Depreciation				
Buildings	17,142,494	1,287,059	-	18,429,553
Equipment	<u>613,394</u>	<u>46,574</u>	<u>72,419</u>	<u>587,549</u>
Total Accumulated Depreciation	<u>17,755,888</u>	<u>1,333,633</u>	<u>72,419</u>	<u>19,017,102</u>
Total Net Capital Assets	<u>\$ 34,748,906</u>	<u>\$ 10,079,773</u>	<u>\$ 7,875</u>	<u>\$ 44,820,804</u>