

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

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

BALL STATE UNIVERSITY
NCAA FINANCIAL REPORT
MUNCIE, INDIANA

July 1, 2014 to June 30, 2015



FILED
03/02/2016



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

TO: THE MANAGEMENT OF BALL STATE UNIVERSITY

We have performed the procedures enumerated below, which were agreed to by the management of Ball State University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses of Intercollegiate Athletics is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4 for the year ended June 30, 2015. The University's management is responsible for the Statement of Revenues and Expenses of Intercollegiate Athletics. 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.

The procedures and the associated findings are as follows:

Internal Control: Policies and Procedures Related to Intercollegiate Athletics -
Agreed-Upon Procedures

1. We obtained an organization chart of the Intercollegiate Athletics Department (Department). In addition, we obtained documentation for and considered policies and procedures unique to the Department. We performed a review of activities determined to be unique to intercollegiate athletics to determine adherence to established policies and procedures. The review of activities is outlined below:
 - (a) We haphazardly selected one ticket sales report for review.
 - (b) We haphazardly selected a travel category for review from each sport with travel expenses. A total of six categories were reviewed.

No exceptions were found as a result of applying these procedures.

2. We inquired of the Department in regards to the controls in place to ensure the Intercollegiate Athletics Financial Aid recipients were eligible and remain eligible for aid.

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
(Continued)

Affiliated and Outside Organizations - Agreed-Upon Procedures

3. We inquired of the Department to determine organizations, affiliated and outside, that provided funds to the Department. For the sole organization identified, Ball State University Foundation (Foundation), we obtained and reviewed the audited financial statements. Finally, we compared the reported Foundation amounts on the Statement of Revenues and Expenses of Intercollegiate Athletics (Statement) to a summary of accounts obtained from the Foundation.

No exceptions were found as a result of applying these procedures.

Statement of Revenues and Expenses of Intercollegiate Athletics - Agreed-Upon Procedures

4. We obtained the Statement for the Year Ended June 30, 2015, Exhibit A, as prepared by management and attached to this document. We then performed the following procedures:
 - (a) recalculated the mathematical accuracy of the amounts on the Statement,
 - (b) traced the amounts on the Statement to management's supporting worksheet for categories over 5 percent of total revenues or total expenses, and
 - (c) agreed the amounts on the worksheets to the related series of accounts on the University's financial accounting system.

No exceptions were found as a result of applying these procedures.

5. We compared and agreed operating revenue receipts and expenses from supporting schedules to supporting documentation for validity and proper classification for the accounts that exceeded the threshold set for review.

No exceptions were found as a result of applying these procedures.

6. We compared the revenue and expense accounts over 10 percent of the total revenues or total expenses to prior period amounts. The comparison has been included in Supplement A. No variations over the lesser of \$1 million or 10 percent were noted; therefore, no further review or understanding was required.

No exceptions were found as a result of applying these procedures.

7. We did not compare ticket sales sold, complementary tickets provided, or unsold tickets during the reporting period to the related revenue because it was below the threshold set for review.
8. We obtained and documented an understanding of the University's methodology for allocating student fees to intercollegiate athletics. We compared and agreed student fees reported in the Statement to student enrollments during the reporting period.

No exceptions were found as a result of applying these procedures.

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
(Continued)

9. We compared direct institutional support recorded with the institutional supporting budget transfers documentation and other corroborative supporting documentation.

No exceptions were found as a result of applying these procedures.

10. We compared and agreed four settlement reports for away games during the reporting period to the general ledger and the Statement.

No exceptions were found as a result of applying these procedures.

11. We compared and agreed four contractual agreements pertaining to revenues derived from guaranteed contests to the general ledger and the Statement.

No exceptions were found as a result of applying these procedures.

12. We compared the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative documents.

No exceptions were found as a result of applying these procedures.

13. We gained an understanding of relevant terms and conditions by obtaining and inspecting agreements related to the conference distributions and participation in revenues from tournaments. We compared and agreed the related revenues to the general ledger.

No exceptions were found as a result of applying these procedures.

14. We did not compare amounts recorded in the revenue reporting category to the general ledger detail of program sales, concessions, novelty sales, and parking because they fell below the threshold set for review.

15. We did not gain an understanding or compare agreements related to the institution's participation in revenues from royalties, licensing, advertisements and sponsorships because they fell below the threshold set for review.

16. We obtained an understanding of the institution's methodology for recording revenues from sports camps. We reviewed a sample of five individual camp participant cash receipts from the schedule of sports-camp participants and agreed it to the general ledger.

No exceptions were found as a result of applying these procedures.

17. We selected a sample of 19 students from the listing of University student aid recipients. We obtained individual account detail for each and compared the total aid allocated from the award letter to the student's account. Finally for those students selected, we ensured their information was reported accurately in the NCAA's Compliance Assistant software.

No exceptions were found as a result of applying these procedures.

18. We did not obtain and inspect visiting institution's away-game settlement reports received and we did not agree related expenses to the general ledger and the Statement because it fell below the threshold set for review.

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
(Continued)

19. We did not obtain and inspect contractual agreements pertaining to expenses recorded from guaranteed contests because it fell below the threshold set for review.
20. We obtained and inspected a list of coaches paid by the University. We selected a sample of six coaches' contracts paid by the University that included two football, one from each men's and women's basketball, and two from other sports. For all coaches selected we compared and agreed the financial terms and conditions of the selected coaches' contracts to the related salaries, benefits and bonuses recorded in the Statement; obtained and inspected payroll summary registers; and compared and agreed payroll summary registers to the related coaching salaries, benefits and bonuses recorded in the Statement.

No exceptions were found as a result of applying these procedures.

21. We selected a sample of five support staff/administrative personnel employed by the University. For all support staff/administrative personnel selected we obtained and inspected their payroll summary and we compared and agreed related payroll summary register to the individual's salary, benefits, and bonuses paid.

No exceptions were found as a result of applying these procedures.

22. We did not select a sample of employees receiving severance payments from the University during the reporting period as there were no employees receiving severance payments.
23. We did not obtain and document the University recruiting policies, compare and agree the University policy to the NCAA policies, or compare and agree the general ledger recruiting expenses to the total team travel expense because this expense fell below the threshold set for review.
24. We obtained and documented an understanding of team travel polices. We compared and agreed it to the existing University policy and NCAA related policies. We compared general ledger team travel expenses identified to the total team travel expenses reported in the Statement.

No exceptions were found as a result of applying these procedures.

25. We obtained general ledger detail and compared it to total expenses reported for supply expense. We selected a sample of five transactions, validated the existence of the transaction and the accuracy of recording. We did not obtain general ledger detail and compare it to total expenses reported for equipment and uniforms because they fell below the threshold set for review.

No exceptions were found as a result of applying these procedures.

26. We did not obtain general ledger detail or compare it to total expenses reported for game expenses because it fell below the threshold set to review.
27. We did not obtain general ledger detail or compare it to total expenses reported for fundraising, marketing and promotion expenses because they fell below the threshold set for review.
28. We did not obtain general ledger detail or compare it to total expenses reported for sports camp expenses because no expenses were reported for sports camps.

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
(Continued)

29. We did not obtain general ledger detail or compare it to total expenses reported for spirit group expenses because no expenses were reported for spirit groups.
30. We did not obtain general ledger detail or compare it to total expenses reported for rental fees because it fell below the threshold set to review. We did not obtain general ledger detail or compare it to total expenses for athletic facility debt service or leases because no expenses were reported.
31. We did not obtain general ledger detail or compare it to total expenses reported for direct overhead and administrative expenses because they fell below the threshold set to review.
32. We did not obtain general ledger detail or compare it to total expenses reported for medical expenses and medical insurance because they fell below the threshold set to review.
33. We did not obtain general ledger detail or compare it to total expenses reported for memberships and dues because they fell below the threshold set to review.
34. We did not obtain general ledger detail or compare it to total expenses reported for other operating expenses and transfers to the University because it fell below the threshold set to review.
35. We compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the University.

No exceptions were found as a result of applying these procedures.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement of Revenues and Expenses of Intercollegiate Athletics and related notes. 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.


Paul D. Joyce, CPA
State Examiner

January 14, 2016

SUPPLEMENT A
 TO THE
 INDEPENDENT ACCOUNTANT'S REPORT ON
 APPLYING AGREED-UPON PROCEDURES
 For the Year Ended: June 30, 2015

	<u>FY15 Total</u>	<u>FY14 Total</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues:				
Dedicated student fees	\$ 11,574,700.00	\$ 11,237,600.00	\$ 337,100.00	3.00%
General fund transfers	3,110,459.63	3,162,719.00	(52,259.37)	-1.65%
General fund support for: Salaries	2,449,858.07	2,504,976.00	(55,117.93)	-2.20%
Operating Expenses:				
Coaches' Salaries	\$ 3,665,373.50	\$ 3,701,990.00	\$ (36,616.50)	-0.99%
Salaries and Wages	3,137,534.51	2,893,089.00	244,445.51	8.45%
Grants-in-aid	7,317,215.90	7,047,502.00	269,713.90	3.83%

BALL STATE UNIVERSITY
STATEMENT OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS
FOR THE YEAR ENDED JUNE 30, 2015

	2015					Totals	2014 Totals
	Football	Mens Basketball	Womens Basketball	Other Sports	Non-Program Specific		
<u>University Accounts:</u>							
Revenues:							
Ticket sales	\$ 395,759	\$ 187,225	\$ 17,347	\$ 8,961	\$ -	\$ 609,292	\$ 990,957
Contributions	100,882	1,814	-	215,853	617,544	936,093	901,004
Guarantees	1,050,000	175,000	-	2,000	-	1,227,000	835,000
Advertising Sales	-	-	-	-	96,525	96,525	430,859
Concession commissions	5,301	3,852	1,020	170	276	10,620	21,018
Royalty and licensing commissions	-	-	-	-	37,039	37,039	28,951
Printed programs	-	-	-	-	-	-	-
Parking fees	21,566	1,321	-	11,926	3,710	38,523	46,838
NCAA and MAC revenue	-	-	-	-	2,215,383	2,215,383	1,424,703
Dedicated student fees	-	-	-	-	11,574,700	11,574,700	A 11,237,600
General fund transfers	-	-	-	-	3,110,460	3,110,460	B 3,162,719
Additional designated support	-	-	-	303	-	303	169,440
General fund support for:							
Salaries	118,000	-	387,721	955,767	988,370	2,449,858	2,504,976
Staff benefits	38,940	-	127,948	315,403	326,162	808,453	826,642
Other	2,864	3,465	1,420	69,142	228,484	305,374	430,049
TOTAL REVENUES	1,733,312	372,677	535,456	1,579,524	19,198,653	23,419,622	23,010,756
Expenditures:							
Coaches' salaries	1,403,656	531,103	387,721	1,342,893	-	3,665,374	3,701,990
Salaries and wages	314,174	40,000	41,753	79,919	2,661,689	3,137,535	2,893,089
Staff benefits	389,482	141,340	155,036	422,596	455,403	1,563,857	1,798,828
Operating supplies	341,225	147,877	111,287	833,086	209,364	1,642,838	1,557,207
Rental of equipment and facilities	14,024	30	576	3,750	437,850	456,230	401,255
Awards	18,182	3,179	3,755	30,928	367	56,411	84,262
Guarantees	850,000	222,000	-	-	500	1,072,500	164,500
Telephone	8,036	2,556	3,138	9,915	67,007	90,652	79,922
Travel	309,899	185,037	180,183	549,358	100,068	1,324,545	1,271,383
Meals and lodging	164,071	16,201	18,354	56,015	63,272	317,913	331,867
Officials	51,748	63,588	39,060	157,307	1,302	313,004	295,061
Postage	10,873	668	842	4,585	6,707	23,675	26,006
Printing and photography	22,480	1,753	942	5,947	112,047	143,168	196,257
Grants-in-aid	2,857,864	442,922	457,209	3,492,438	66,784	7,317,216	7,047,502
Association dues	375	145	915	12,561	284,995	298,991	135,469
Equipment	41,960	3,508	14,323	11,014	64,050	134,855	1,036,515
Repairs and maintenance	17,451	576	-	2,470	18,289	38,785	68,753
Insurance	104,208	19,692	30,718	190,596	-	345,214	451,482
Other miscellaneous expenses	88,381	29,404	33,009	63,202	873,702	1,087,699	1,237,937
Transfers	-	-	-	-	217,427	217,427	264,250
TOTAL EXPENSES	7,008,088	1,851,578	1,478,820	7,268,577	5,640,824	23,247,887	23,043,535
REVENUES OVER/(UNDER) EXPENSES	(5,274,776)	(1,478,901)	(943,363)	(5,689,052)	13,557,829	171,735	(32,779)
						C	
<u>Foundation Accounts:</u>							
Revenues	\$ 706,294	\$ 23,919	\$ 8,075	\$ 205,075	\$ 2,754,579	\$ 3,697,943	\$ 3,859,804
Expenditures	344,975	9,284	2,161	331,948	1,116,461	1,804,830	2,551,164
REVENUES OVER/(UNDER) EXPENSES	\$ 361,319	\$ 14,635	\$ 5,914	\$ (126,873)	\$ 1,638,118	\$ 1,893,113	\$ 1,308,640

A = Dedicated student fees only, in years previous to FY14 additional University support has been included in this line item.

B = Includes \$2,708,161 to fund FY15 athletics deficit.

C = Positive balance is primarily the result of increase in the Student/Athlete Opportunity Fund. Net result of operations in this fund for FY15 was \$171,433.

BALL STATE UNIVERSITY
NOTES TO THE STATEMENT OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS
AS OF JUNE 30, 2015

Note 1. Basis of Presentation

The accompanying Statement of Revenues and Expenses of Intercollegiate Athletics (Statement) has been prepared on the accrual basis of accounting. The purpose of the Statement is to present a summary of revenues and expenditures of the intercollegiate athletics programs of the University for the year ended June 30, 2015. The Statement includes those intercollegiate athletics revenues and expenses made on behalf of the University's athletics programs by outside organizations not under the accounting control of the University. Because the Statement 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 then ended. Revenues and expenses not directly identifiable to a specific sport are reported under the category, "Non-Program Specific."

Note 2. Affiliated Organizations

The University athletic accounts received over \$3 million from the Ball State University Foundation, Inc. The amounts received are included in the accompanying schedule identified separately as Foundation Accounts.

Note 3. Capital Assets

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

Repair and replacement expenses 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.

BALL STATE UNIVERSITY
NOTES TO THE STATEMENT OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS
AS OF JUNE 30, 2015
(Continued)

A summary of changes in capital assets associated with the Intercollegiate Athletics follows for the year ended June 30, 2015.

Category	July 1, 2014 Balance	Additions	Deletions	June 30, 2015 Balance
Depreciable capital assets:				
Buildings	\$ 63,568,387	\$ -	\$ -	\$ 63,568,387
Equipment	<u>764,414</u>	<u>-</u>	<u>-</u>	<u>764,414</u>
Total capital assets	<u>64,332,801</u>	<u>-</u>	<u>-</u>	<u>64,332,801</u>
Less: accumulated depreciation				
Buildings	25,153,852	1,270,232	-	26,424,085
Equipment	<u>613,451</u>	<u>21,566</u>	<u>-</u>	<u>635,017</u>
Total accumulated depreciation	<u>25,767,303</u>	<u>1,291,798</u>	<u>-</u>	<u>27,059,102</u>
Total net capital assets	<u>\$ 38,565,497</u>	<u>\$ (1,291,798)</u>	<u>\$ -</u>	<u>\$ 37,273,699</u>

Note 4. Student Athlete Opportunity Fund

A cash balance of \$30,703.86 was in the Student/Athlete Opportunity Fund at July 1, 2014. A balance of \$201,962.05 was in the fund at June 30, 2015. The net result of operations in the SAOF was \$171,433.19.