B42049

# 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, 2011 to June 30, 2012

FILED
04/08/2013

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 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 management of Ball State University, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses of Intercollegiate Athletics of Ball State University is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4 for the year ended June 30, 2012. Ball State University's management is responsible for the Statement of Revenues and Expenses of Intercollegiate Athletics ("Statement") and the Statement's 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 Expenses

a. We obtained the Statement of Revenues and Expenses for the Year Ended June 30, 2012, 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 Statement to management's worksheets, and to the 320650-110010 series of accounts on the University's financial accounting system with no exceptions. We compared the Foundation amounts to a summary of accounts obtained from the Ball State Foundation with no exceptions.

b. We compared current year amounts with prior year amounts for each classification of University accounts on Exhibit A and we have supported fluctuations of greater than $25,000 or 10% of the prior year's amount.

c. We compared total revenues and expenses by classification to the prior year's financial report, noting that the current year amounts compare favorably with the prior year amounts.

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

d. The attached Statement of Revenues and Expenses is a summary of the transactions for the Intercollegiate Athletics. The Statement includes the revenues and expenses 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.

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 Revenues and Expenses of Intercollegiate Athletics 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.

STATE BOARD OF ACCOUNTS

February 21, 2013

Exhibit A

BALL STATE UNIVERSITY
STATEMENT OF REVENUES AND EXPENSES
OF INTERCOLLEGIATE ATHLETICS
For the Year Ended June 30, 2012

| | 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Football | Mens Basketball | Womens Basketball | Other Sports | Non-Program Specific | Totals | 2011 Totals |
| University Accounts: | | | | | | | |
| Revenues: | | | | | | | |
| Ticket sales | $ 1,148,538 | $ 233,397 | $ 7,962 | $ 7,621 | $ - | $ 1,397,518 | $ 1,011,122 |
| Contributions | 46,937 | 76,992 | - | 108,838 | 77,177 | 309,944 | 674,219 |
| Guarantees | 1,096,976 | - | - | 14,500 | - | 1,111,476 | 1,295,500 |
| Advertising sales | - | - | - | - | 496,146 | 496,146 | 623,410 |
| Concession commissions | 20,931 | 15,209 | 4,028 | 671 | 1,089 | 41,928 | 38,696 |
| Royalty and licensing commissions | - | - | - | - | 95,490 | 95,490 | 92,778 |
| Printed programs | 880 | - | - | 4,444 | 16,025 | 21,349 | 27,913 |
| Parking fees | 28,018 | 1,716 | - | - | 15,493 | 45,227 | 46,698 |
| NCAA and MAC revenue | - | - | - | - | 1,203,915 | 1,203,915 | 1,219,105 |
| Dedicated student fees | - | - | - | - | 11,927,330 | 11,927,330 | A 10,529,136 |
| Additional designated support | - | - | 3,300 | 38,398 | - | 41,698 | 71,500 |
| General fund support for: | | | | | | | |
| Salaries | 105,000 | - | 320,291 | 1,002,528 | 797,233 | 2,225,052 | 2,193,197 |
| Staff benefits | 37,407 | - | 114,105 | 357,156 | 284,018 | 792,686 | 729,411 |
| Other | - | - | - | 61,305 | 154,033 | 215,338 | 77,178 |
| TOTAL REVENUES | 2,484,687 | 327,314 | 449,686 | 1,595,461 | 15,067,949 | 19,925,097 | 18,629,863 |
| Expenses: | | | | | | | |
| Coaches' salaries | 1,484,593 | 385,227 | 320,291 | 1,217,356 | - | 3,407,467 | 3,401,856 |
| Salaries and wages | 266,713 | 40,000 | 39,680 | 84,658 | 2,211,188 | 2,642,239 | 2,402,358 |
| Staff benefits | 317,279 | 136,479 | 130,379 | 435,068 | 770,129 | 1,789,334 | 1,522,936 |
| Operating supplies | 212,489 | 77,575 | 49,113 | 490,950 | 350,245 | 1,180,372 | 600,182 |
| Rental of equipment and facilities | 23,911 | 1,998 | 192 | 35,173 | 67,445 | 128,719 | 136,149 |
| Awards | 10,983 | 2,068 | 2,357 | 20,523 | 917 | 36,848 | 39,157 |
| Guarantees | 300,000 | 81,000 | 3,000 | 1,750 | - | 385,750 | 653,131 |
| Telephone | 8,215 | 2,703 | 2,573 | 9,229 | 45,305 | 68,025 | 66,879 |
| Travel | 448,832 | 172,620 | 103,462 | 485,741 | - | 1,210,655 | 1,630,990 |
| Meals and lodging | 243,056 | 8,655 | 3,100 | 48,968 | 27,534 | 331,313 | 359,360 |
| Officials | 88,840 | 69,330 | 47,272 | 69,920 | 582 | 275,944 | 238,130 |
| Postage | 14,283 | 1,074 | 1,337 | 4,571 | 18,299 | 39,564 | 29,313 |
| Printing and photography | 64,650 | 5,769 | 2,623 | 10,877 | 86,145 | 170,064 | 166,260 |
| Grants-in-aid | 2,416,488 | 332,229 | 391,618 | 3,233,328 | - | 6,373,663 | 6,013,437 |
| Association dues | 130,000 | - | 640 | 14,236 | 125,722 | 270,598 | 252,080 |
| Equipment | 32,891 | 2,116 | 7,286 | 7,455 | 29,144 | 78,892 | 214,019 |
| Repairs and maintenance | 62,716 | 91 | 91 | 2,165 | 81,053 | 146,116 | 86,406 |
| Insurance | 57,640 | 11,685 | 4,075 | 241,504 | 79,221 | 394,125 | 229,136 |
| Other miscellaneous expenses | 31,554 | 14,087 | 13,758 | 41,564 | 689,548 | 790,511 | 589,017 |
| Transfers | 1,489 | 150 | 1,620 | 6,417 | 192,544 | 202,220 | - |
| TOTAL EXPENSES | 6,216,622 | 1,344,856 | 1,124,467 | 6,461,453 | 4,775,021 | 19,922,419 | 18,630,796 |
| REVENUES OVER/(UNDER) EXPENSES | $ (3,731,935) | $ (1,017,542) | $ (674,781) | $ (4,865,992) | $ 10,292,928 | $ 2,678 | $ (933) |
| Foundation Accounts: | | | | | | | |
| Revenues | $ 423,841 | $ 59,066 | $ 7,753 | $ 313,298 | $ 1,198,709 | $ 2,002,667 | $ 2,022,650 |
| Expenses | 397,366 | 85,514 | 112,317 | 216,813 | 1,421,019 | 2,233,029 | 1,634,617 |
| REVENUES OVER/(UNDER) EXPENSES | $ 26,475 | $ (26,448) | $ (104,564) | $ 96,485 | $ (222,310) | $ (230,362) | $ 388,033 |

A = includes $1,730,957 to fund deficit from FOAP 320650-110010-810010-1014

The accompanying notes are an integral part of the statement.

BALL STATE UNIVERSITY
NOTES TO THE STATEMENT OF REVENUES AND EXPENSES
OF INTERCOLLEGIATE ATHLETICS
AS OF JUNE 30, 2012

Note 1. Basis of Presentation

The accompanying Statement of Revenues and Expenses ("Statement") of Intercollegiate Athletics has been prepared on the accrual basis of accounting. The purpose of the Statement is to present a summary of revenues and expenses of the intercollegiate athletics of the University for the year ended June 30, 2012. The Statement includes those intercollegiate athletics revenues and expenses made on behalf of the University's athletics 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 $2 million from the Ball State University Foundation, Inc. The amounts received are included in the accompanying Statement identified separately as Foundation Accounts.

Note 3. Capital Assets

Capital assets consist 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 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 expenses 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 follows for the year ended June 30, 2012.

BALL STATE UNIVERSITY
NOTES TO THE STATEMENT OF REVENUES AND EXPENSES
OF INTERCOLLEGIATE ATHLETICS
AS OF JUNE 30, 2012
(Continued)

| Category | July 1, 2011 Balance | Additions | Deletions | June 30, 2012 Balance |
|---|---|---|---|---|
| Depreciable capital assets: | | | | |
| Buildings | $ 62,694,099 | $ 400,701 | $ - | $ 63,094,800 |
| Equipment | 938,946 | - | 101,383 | 837,563 |
| Total capital assets | 63,633,045 | 400,701 | 101,383 | 63,932,363 |
| Less: accumulated depreciation | | | | |
| Buildings | 21,356,918 | 1,250,348 | - | 22,607,266 |
| Equipment | 500,008 | 59,662 | 7,529 | 552,141 |
| Total accumulated depreciation | 21,856,926 | 1,310,010 | 7,529 | 23,159,407 |
| Total net capital assets | $ 41,776,119 | $ (909,309) | $ 93,854 | $ 40,772,956 |

Note 4. Student Athlete Opportunity Fund

The University received $193,375 from the NCAA to benefit student-athletes or their families in the 2012 fiscal year. Of those monies $193,375 was spent for those purposes in the current fiscal year and is included in the report.