

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, 2015 to June 30, 2016



FILED
02/28/2017



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

TO: MANAGEMENT OF BALL STATE UNIVERSITY

We have performed the procedures enumerated below, which were agreed to by management of Ball State University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses of Intercollegiate Athletics (Statement) is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4 for the year ended June 30, 2016. The University's management is responsible for the Statement. 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 the University. 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 related findings are as follows:

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

1. We obtained an organization chart of the University's 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 five ticket sale reports for review.

Five exceptions were found as a result of applying these procedures. The ticket sale reports were accidentally destroyed after a personnel change occurred during the fiscal year, therefore, no testing was able to be conducted.

- (b) We haphazardly selected five athletic travel claims for review.

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 remained eligible for aid during the period under review.

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

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 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, 2016, 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.

- (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. Variations over the lesser of \$1 million or 10 percent were further reviewed by obtaining and documenting an understanding of the variation. The comparison has been included in Supplement A.

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 because they were 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 did not compare direct state or other governmental support recorded by the University with state appropriations, University authorizations, or other corroborative supporting documentation because the University did not receive other governmental support or support from the state.

10. We compared direct University support recorded with the University's supporting budget transfers documentation and other corroborative supporting documentation.

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

11. We did not compare transfers back to the University from the Department because there were no transfers back to the University from the Department.

12. We compared the indirect University support recorded with expense payments, cost allocation detail, and other corroborative supporting documentation.

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

13. We compared and agreed two 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.

14. We compared and agreed two 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.

15. We did not obtain and review supporting documentation for any contributions of moneys, goods or services received directly from any affiliated or outside organization during the reporting period because they were below the threshold set for review.

16. We did not obtain and inspect agreements to understand the total media rights received by the University nor did we compare and agree media right revenues to a summary statement or the University's general ledger because the University did not receive revenue from media rights.

17. We did not compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative documents because they were below the threshold set for review.

18. We did not obtain and inspect agreements related to the conference distributions and participation in revenues from tournaments to gain an understanding of relevant terms and conditions nor did we compare and agree the related revenues to the University's general ledger and/or statement because they were below the threshold set for review.

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

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

20. We did not obtain and inspect agreements related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships nor did we compare and agree the related revenues to the University's general ledger and/or statement because they were below the threshold set for review.
22. We did not obtain and inspect endowment agreements or compare and agree the classification and use of endowment income because the University did not have any endowments.
23. We did not obtain general ledger detail or compare it to total revenues reported for other operating revenue because it was below the threshold set to review.
24. We selected a sample of 37 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 system.

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

25. We did not obtain and inspect visiting University's away-game settlement reports received and we did not agree related expenses to the general ledger and the Statement because it was below the threshold set for review.
26. We did not obtain and inspect contractual agreements pertaining to expenses recorded from guaranteed contests and we did not compare and agree related amounts to the general ledger or the Statement because they were below the threshold set for review.
27. 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 from football, one men's and one 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.

One exception was found as a result of applying these procedures. One individual was included as a coach and should have been included in support staff and administrative salaries and benefits.

28. 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.

29. 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.
30. We did not obtain and document 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 they were below the threshold set for review.

INDEPENDENT ACCOUNTANT'S REPORT ON
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(Continued)

31. We obtained and documented an understanding of team travel policies. 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.

32. We did not obtain general ledger detail or compare it to total expenses reported for equipment, uniforms, and supply expenses as they were below the threshold set to review.
33. We did not obtain general ledger detail or compare it to total expenses reported for game expenses because it was below the threshold set to review.
34. We did not obtain general ledger detail or compare it to total expenses reported for fund raising, marketing, and promotion expenses because they were below the threshold set to review.
35. We did not obtain general ledger detail or compare it to total expenses reported for sports camp expenses because they were below the threshold set to review.
36. We did not obtain general ledger detail or compare it to total expenses reported for spirit group expenses because the University did not expend any monies related to spirit groups.
37. We did not obtain general ledger detail or compare it to total expenses reported for athletic facility debt service, leases, and rental fees because they were below the threshold set to review.
38. We did not obtain general ledger detail or compare it to total expenses reported for direct overhead and administrative expenses because they were below the threshold set to review.
39. We compared the indirect institutional support recorded with expense payments, cost allocation detail, and other corroborative supporting documentation.

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

40. We did not obtain general ledger detail or compare it to total expenses reported for medical expenses and medical insurance because they were below the threshold set to review.
41. We did not obtain general ledger detail or compare it to total expenses reported for memberships and dues because they were below the threshold set to review.
42. 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 was below the threshold set to review.
43. 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.


44. We obtained the sports sponsorship and demographics forms report and validated that the countable sports reported meet the minimum requirements set forth by Bylaw 20.9.6.3 and that countable sports were properly reported as countable on the NCAA Membership Financial Reporting System.

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

INDEPENDENT ACCOUNTANT'S REPORT ON
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(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 accompanying Statement 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 those specified parties.


Paul D. Joyce, CPA
State Examiner

January 12, 2016

SUPPLEMENTAL A
TO THE
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
For The Year Ended: June 30, 2016

	FY16 Total	FY15 Total	Dollar Change	Percentage Change	
Operating Revenues:					
Student Fees	\$ 12,860,500	\$ 11,574,700	\$ 1,285,800	11.11%	A
Direct institutional support	5,954,743	6,368,771	(414,028)	-6.50%	
Indirect institutional support	3,945,557	3,703,772	241,785	6.53%	
Operating Expenses:					
Athletic student aid	\$ 8,249,857	\$ 7,317,216	\$ 932,641	12.75%	B
Coaching salaries and benefits	6,129,109	6,828,843	(699,734)	-10.25%	C
Support staff and administrative salaries and benefits	5,489,341	1,233,918	4,255,423	344.87%	C
Indirect institutional support	3,945,557	3,703,772	241,785	6.53%	

Notes:

A This increase is due to total student fees increasing, which increases the allocation for student fees in the NCAA report.

B A new award was issued this fiscal year and resulted in an increase to this item.

C An increase in wages and a change in what is reported in the line item to bring it more in line with the NCAA expense categories as noted in the AUP.

BALL STATE UNIVERSITY
STATEMENT OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS
FOR THE YEAR ENDED JUNE 30, 2016

	Football	Men's Basketball	Women's Basketball	Other	Non-Program Specific	Total	
<u>University Accounts:</u>							
Revenues:							
Ticket sales	\$ 824,428	\$ 207,581	\$ 16,537	\$ 9,685	\$ 74,053	\$ 1,132,284	
Student fees	-	-	-	-	12,860,500	12,860,500	A
Direct institutional support	26,250	20,000	52,500	128,500	5,727,493	5,954,743	B
Indirect institutional support	-	-	-	-	3,945,557	3,945,557	C
Guarantees	1,800,000	210,000	5,000	28,000	-	2,043,000	
Contributions	101,688	4,886	-	198,944	377,982	683,500	
NCAA distributions	-	-	-	-	989,635	989,635	
Conference (MAC) distributions	-	-	-	-	1,414,422	1,414,422	
Program sales, concessions, novelty sales, and parking	14,337	16,123	3,864	4,057	57,818	96,199	
Royalties, licensing, advertising, and sponsorships	-	-	-	-	415,638	415,638	
Sport camps	33,339	19,764	18,440	243,515	13,945	329,003	
Bowl revenue	-	-	-	-	-	-	
Other operating revenue	213,351	34,885	2,332	56,418	183,165	490,151	
	<u>3,013,393</u>	<u>513,239</u>	<u>98,673</u>	<u>669,119</u>	<u>26,060,208</u>	<u>30,354,632</u>	
Total revenues							
Expenditures:							
Athletic student aid	3,021,171	451,343	529,337	3,933,192	314,814	8,249,857	
Guarantees	480,000	215,000	28,000	-	-	723,000	
Coaching salaries and benefits	2,496,989	714,723	602,563	2,314,834	-	6,129,109	
Support staff and administrative salaries and benefits	-	-	-	-	5,489,341	5,489,341	
Severance payments	-	-	-	-	-	-	
Recruiting	103,017	57,327	82,101	102,422	-	344,867	
Team travel	500,925	283,875	232,263	1,169,695	316,125	2,502,883	
Equipment, uniforms and supplies	441,630	69,568	36,842	290,452	359,416	1,197,908	
Game expenses	105,519	102,715	69,750	90,729	657,980	1,026,693	
Fund raising, marketing and promotion	53,192	6,451	6,216	11,549	448,157	525,565	
Sport camps	34,657	15,315	7,405	240,812	-	298,189	
Indirect institutional support	-	-	-	-	3,945,557	3,945,557	
Medical expenses and insurance	156,216	17,260	27,143	195,938	-	396,557	
Memberships and dues	395	1,380	1,675	62,783	290,456	356,689	
Bowl expenses	-	-	-	-	-	-	
Other operating expenses	94,819	12,710	17,352	63,155	297,562	485,598	
Direct overhead and administrative expenses	81,862	22,428	24,275	30,860	712,443	871,868	
Athletic facilities debt service, leases and rental fees	-	-	-	3,760	75,462	79,222	
	<u>7,570,392</u>	<u>1,970,095</u>	<u>1,664,922</u>	<u>8,510,181</u>	<u>12,907,313</u>	<u>32,622,903</u>	
Total expenses							
Revenues Over/(Under) Expenses	<u>\$ (4,556,999)</u>	<u>\$ (1,456,856)</u>	<u>\$ (1,566,249)</u>	<u>\$ (7,841,062)</u>	<u>\$ 13,152,895</u>	<u>\$ (2,268,271)</u>	
<u>Foundation Accounts:</u>							
Revenues	\$ 855,228	\$ 20,762	\$ 9,175	\$ 260,764	\$ 2,490,837	\$ 3,636,766	
Expenditures	2,837,170	15,254	3,935	248,045	2,314,871	5,419,275	
Revenues Over/(Under) Expenses	<u>\$ (1,981,942)</u>	<u>\$ 5,508</u>	<u>\$ 5,240</u>	<u>\$ 12,719</u>	<u>\$ 175,966</u>	<u>\$ (1,782,509)</u>	

A = Dedicated fee charged to students as part of the student services fee

B = Athletics employee salaries and other expenses directly attributable to athletics paid out of the university's general fund

C = Indirect support calculation is an estimated amount of overhead costs paid out of the general fund but attributable to athletics operations

BALL STATE UNIVERSITY
NOTES TO THE STATEMENT OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS
AS OF JUNE 30, 2016

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 expenses of the intercollegiate athletic programs of the University for the year ended June 30, 2016. The Statement includes those intercollegiate athletics revenues and expenses made on behalf of the University's athletic 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 Statement identified separately as Foundation Accounts.

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 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.

A summary of changes in capital assets associated with the intercollegiate athletics follows for the year ended June 30, 2016.

Category	July 1, 2015 Balance	Additions	Deletions	June 30, 2016 Balance
Depreciable capital assets:				
Buildings	\$ 63,568,387	\$ 6,324,264	\$ -	\$ 69,892,651
Equipment	<u>764,414</u>	<u>1,671,312</u>	<u>192,793</u>	<u>2,242,933</u>
Total capital assets	<u>64,332,801</u>	<u>7,995,576</u>	<u>192,793</u>	<u>72,135,584</u>
Less: accumulated depreciation				
Buildings	26,424,085	1,397,737	-	27,821,822
Equipment	<u>635,017</u>	<u>231,934</u>	<u>67,379</u>	<u>799,572</u>
Total accumulated depreciation	<u>27,059,102</u>	<u>1,629,671</u>	<u>67,379</u>	<u>28,621,394</u>
Total net capital assets	<u>\$ 37,273,699</u>	<u>\$ 6,365,905</u>	<u>\$ 125,414</u>	<u>\$ 43,514,190</u>

4. Student Athlete Opportunity Fund

A cash balance of \$201,963 was in the Student/Athlete Opportunity Fund (SAOF) at July 1, 2015. A balance of \$165,265 was in the fund at June 30, 2016. The net result of operations in the SAOF was \$36,698.