

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, 2016 to June 30, 2017



FILED
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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, 2017. 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 unique activities is outlined below:
 - (a) We haphazardly selected five athletic travel claims for review.

Two exceptions were found as a result of applying these procedures. The Student Travel Notice forms were both submitted four days prior to departure, while the travel policy stated "Student Travel Notices should be prepared and submitted to the Athletic Compliance Office for approval and eligibility confirmation a minimum of seven (7) days prior to departure."

Affiliated and Outside Organizations - Agreed-Upon Procedures

2. 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.

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

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

3. We obtained the Statement for the Year Ended June 30, 2017, 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 4 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.

4. 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 4 percent of total revenues and expenses.

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

5. We compared revenue and expense accounts over 10 percent of total revenues or total expenses to prior period amounts and budget estimates. No variations over 10 percent were reviewed further because they were below the 10 percent threshold.

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

6. 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.

7. 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.

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

9. 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.

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

11. 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.

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

12. We did not compare settlement reports for away games during the reporting period to the general ledger and the Statement because they were below the threshold set for review.
13. We did not compare contractual agreements pertaining to revenues derived from guaranteed contests to the general ledger and Statement because they were below the threshold set for review.
14. 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.
15. We did not compare in-kind contributions recorded with a schedule of in-kind donations because no in-kind contributions were received.
16. We did not review compensation and benefits provided by a third-party because no compensation or benefits were provided by a third-party.
17. 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.
18. We compared and agreed 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.

19. We obtained and inspected agreements related to the conference distributions and participation in revenues from tournaments to gain an understanding of relevant terms and conditions. We compared and agreed the related revenues to the University's general ledger and Statement.

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

20. 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 were below the threshold set for review.
21. We did not gain an understanding or 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 an understanding of the University's methodology for recording revenues from sports camps, as they were below the threshold set for review.
23. We did not obtain and inspect endowment agreements or compare and agree the classification and use of endowment income because there were no athletic restricted endowments.
24. We did not obtain and inspect agreements related to the University's revenue from post-season bowl participation because no post-season bowl revenues were received.

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

25. 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.

26. 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.

27. 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.

28. We obtained and inspected a list of coaches paid by the University. We selected a sample of five coaches' contracts paid by the University that included one 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.

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

29. 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.

30. We did not obtain and inspect a list of coaches or support staff/administrative personnel paid by a third-party as no coaches or support staff/administrative personnel were paid by a third-party.

31. 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.

32. 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.

33. 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.

Two exceptions were found as a result of applying these procedures. The travel policy stated: "Student Travel Notices should be prepared and submitted to the Athletic Compliance Office for approval and eligibility confirmation a minimum of seven (7) days prior to departure." In both exceptions the Student Travel Notice form was not received seven days prior to departure of the sporting event.

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

34. 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.
35. 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.
36. We did not obtain general ledger detail or compare it to total expenses reported for fundraising, marketing, and promotion expenses because they were below the threshold set to review.
37. 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.
38. 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.
39. 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.
40. 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.
41. 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.
42. 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.
43. 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.
44. We did not obtain general ledger detail or compare it to the total expenses reported for student-athlete meals (non-travel) because none were reported.
45. We did not obtain general ledger detail or compare it to the total expenses reported for bowl expenses because there were no bowl expenses reported.
46. 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.

47. We obtained the sports sponsorship and demographics forms report and verified that the countable sports reported met 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.

48. We verified the total number of Division I student-athletes who received a Pell Grant award to the total value of the Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the University's financial aid records, of all student-athlete Pell Grants.

INDEPENDENT ACCOUNTANT'S REPORT ON
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(Continued)

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

- 49. We did not obtain general ledger detail or compare excess transfers to institution and conference realignment expense because no such transfers existed.
- 50. We did not obtain repayment schedules for all outstanding intercollegiate athletics debt or recalculate annual maturities because there is no debt specifically related to athletics.
- 51. We agreed the total outstanding University debt to supporting documentation and the University's audited financial statements and the general ledger.

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

- 52. We did not obtain a schedule of all athletics restricted endowments because there are no endowments specifically restricted to athletics.
- 53. We agreed University endowments fair market values to the audited financial statements.


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

- 54. We obtained a schedule of athletics related capital expenditures made by the Department during the reporting period and compared to the general ledger and Statement.

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 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 11, 2018

BALL STATE UNIVERSITY
STATEMENT OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS
FOR THE YEAR ENDED JUNE 30, 2017

	Football	Men's Basketball	Women's Basketball	Other	Non-Program Specific	Total	
University Accounts:							
Revenues:							
Ticket sales	\$ 281,511	\$ 202,908	\$ 18,921	\$ 10,146	\$ 35,600	\$ 549,086	
Student fees	-	-	-	-	13,300,000	13,300,000	A
Direct institutional support	-	-	-	495	5,799,072	5,799,567	B
Indirect institutional support	-	-	-	-	4,098,798	4,098,798	C
Guarantees	350,000	350,000	-	34,250	-	734,250	
Contributions	-	-	-	9,173	1,059,656	1,068,829	
NCAA distributions	-	-	-	-	1,907,834	1,907,834	
Conference (MAC) distributions	-	-	-	-	1,875,861	1,875,861	
Program sales, concessions, novelty sales, and parking	35,812	24,198	4,357	17,367	21,259	102,993	
Royalties, licensing, advertising, and sponsorships	-	-	-	-	479,677	479,677	
Sport camps	28,337	15,443	7,338	238,436	21,002	310,556	
Bowl revenue	-	-	-	-	-	-	
Other operating revenue	2,820	1,578	900	28,220	414,184	447,702	
Total revenues	698,480	594,127	31,516	338,087	29,012,943	30,675,153	
Expenditures:							
Athletic student aid	3,093,373	458,010	601,088	4,220,905	68,198	8,441,574	
Guarantees	320,000	220,000	35,000	3,825	-	578,825	
Coaching salaries and benefits	2,364,302	731,915	1,033,393	2,355,925	-	6,485,535	
Support staff and administrative salaries and benefits	-	-	-	-	5,155,834	5,155,834	
Severance payments	-	-	-	-	-	-	
Recruiting	170,476	84,448	96,208	96,447	-	447,579	
Team travel	759,371	267,828	210,732	1,179,466	338,624	2,756,021	
Equipment, uniforms and supplies	387,932	48,463	31,044	359,394	375,786	1,202,619	
Game expenses	115,270	107,070	82,130	85,222	588,756	978,448	
Fund raising, marketing and promotion	49,638	4,310	10,352	13,758	422,588	500,646	
Sport camps	22,620	19,889	23,077	228,294	-	293,880	
Indirect institutional support	-	-	-	-	4,098,798	4,098,798	
Medical expenses and insurance	141,759	22,639	18,872	182,050	31,652	396,972	
Memberships and dues	-	2,195	2,068	43,344	267,727	315,334	
Bowl expenses	-	-	-	-	-	-	
Other operating expenses	40,548	9,434	4,291	48,477	368,507	471,257	
Direct overhead and administrative expenses	81,685	19,078	28,113	41,910	417,406	588,192	
Athletic facilities debt service, leases and rental fees	-	-	-	1,152	80,460	81,612	
Total expenses	7,546,974	1,995,279	2,176,368	8,860,169	12,214,336	32,793,126	
Revenues Over/(Under) Expenses	\$ (6,848,494)	\$ (1,401,152)	\$ (2,144,852)	\$ (8,522,082)	\$ 16,798,607	\$ (2,117,973)	
Foundation Accounts:							
Revenues	\$ 515,002	\$ 14,864	\$ 20,698	\$ 261,277	\$ 2,451,797	\$ 3,263,638	
Expenditures	373,619	3,179	4,413	54,339	1,524,794	1,960,344	
Revenues Over/(Under) Expenses	\$ 141,383	\$ 11,685	\$ 16,285	\$ 206,938	\$ 927,003	\$ 1,303,294	

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, 2017

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 athletics of the University for the year ended June 30, 2017. 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 \$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 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, 2017.

Category	July 1, 2016 Balance	Additions	Deletions	June 30, 2017 Balance
Depreciable capital assets:				
Buildings	\$ 69,892,651	\$ -	\$ -	\$ 69,892,651
Equipment	<u>2,242,933</u>	<u>79,631</u>	<u>-</u>	<u>2,322,564</u>
Total capital assets	<u>72,135,584</u>	<u>79,631</u>	<u>-</u>	<u>72,215,215</u>
Less: accumulated depreciation				
Buildings	27,821,822	1,396,281	-	29,218,103
Equipment	<u>799,572</u>	<u>265,505</u>	<u>190,735</u>	<u>874,342</u>
Total accumulated depreciation	<u>28,621,394</u>	<u>1,661,786</u>	<u>190,735</u>	<u>30,092,445</u>
Total net capital assets	<u>\$ 43,514,190</u>	<u>\$ (1,582,155)</u>	<u>\$ (190,735)</u>	<u>\$ 42,122,770</u>

4. Student Athlete Opportunity Fund

A cash balance of \$238,660 was in the Student/Athlete Opportunity Fund (SAOF) at July 1, 2016. A balance of \$432,014 was in the fund at June 30, 2017. The net result of operations in the SAOF was \$193,354.