

Central Michigan University
Intercollegiate Athletics Program

Report on Agreed-Upon Procedures

For the year ended June 30, 2005



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Independent Accountants' Report on
Applying Agreed-Upon Procedures

Dr. Michael Rao
President
Central Michigan University
Mt. Pleasant, Michigan

Dear President Rao:

We have audited the financial statements of Central Michigan University (the "University") as of and for the year ended June 30, 2005, and have issued our unqualified report thereon dated August 22, 2005. We have also performed the procedures enumerated below, which were agreed to by you, solely to assist you in evaluating whether the accompanying statement of revenues and expenses of the University is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The University's management is responsible for 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 the specified user of the 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

The management of the University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

INTERNAL CONTROL PROCEDURES

- We identified and documented aspects of the general control environment for the Athletics Department. We evaluated departmental organization (after obtaining an organization chart), control consciousness, competence of personnel, use of internal auditors in the department, controls over interaction with the information technology department, and protection of records and equipment. We noted no exceptions as the result of our testing.
- We obtained an understanding of the internal accounting controls unique to intercollegiate athletics in order to ensure that recorded revenues are completed and expenses are properly authorized. We reviewed the extent of documentation of these accounting systems and procedures. This review included controls over cash receipts, expense disbursements, and payroll disbursements. It also included controls related to accounting systems that were not reviewed in conjunction with the University audit, such as controls over ticket sales and other areas. We noted exceptions related to controls over ticket sales reporting as discussed within this report.
- We expanded the non-payroll disbursement test performed during the audit of the University to include a sample of 3 disbursements charged to the Intercollegiate Athletics Program and examined related supporting documentation. We noted no exceptions as a result of our testing.
- We expanded the payroll disbursement test performed during the audit of the University to include a sample of 3 disbursements charged to the Intercollegiate Athletics Program and examined related supporting documentation. We noted no exceptions as a result of our testing.

SUBSTANTIVE PROCEDURES

General

- We obtained a printout of revenues and expenses for the athletic department accounts and traced amounts reported on the statement to the University's cost center and supporting schedules. We noted no exceptions as a result of our testing.
- We performed analytical review procedures by comparing current year revenue and expenses of the intercollegiate athletics programs to the prior year and current year budget in order to identify unusual fluctuations over \$50,000. We obtained and documented an understanding of these variances. We noted no exceptions as a result of our testing.
- We determined that the University does not allocate indirect facilities and administrative support costs to specific programs through inquiry with management.
- We obtained supporting documentation for significant additions to restricted funds and significant changes to endowment and plant funds. No exceptions were noted during our testing.
- We inquired about the existence of outstanding athletics debt maintained by the University during the reporting period and obtained a description and repayment schedules of athletics debt. We recalculated annual maturities (consisting of principal and interest) provided in the repayment schedules obtained. We also agreed the total annual maturities to supporting documentation and the University's general ledger. No exceptions were noted during our testing.

- We inquired of members of the Athletics Department regarding the existence of any significant outside booster group, alumni organization, independent or affiliated foundation activities for or on behalf of the intercollegiate athletics program. We were informed that there were none. We also inquired if any internal booster group supports intercollegiate athletics. We did note that the Chippewa Club was one such club whose purpose is to raise funds for intercollegiate athletics. We also noted that all monies raised through the Chippewa Club are recorded with other athletic contributions and turned into the Development Office in accordance with the University policy. We noted no exceptions as a result of our testing.
- We reviewed for reasonableness and vouched work performed by the Internal Audit Department of the University and documented reliance upon work during our testing of the Athletics area. We noted no exceptions as a result of our testing.

Revenues

Ticket Sales

- We compared tickets sold during the reporting period, complimentary tickets provided during the reporting period and unsold tickets to the related revenue reported by the University in the statement and the related attendance figures by performing the following:
 - Examined 16 billings and traced name, amount of payment, form of payment, seats and type of ticket holder to the system for agreement. We noted no exceptions as a result of our testing.
 - Selected 10 End of Day reports and reviewed for intern or coordinator review, clerical accuracy, reconciliation of cash to the computer, timeliness of deposit and whether the cash, checks and individual event sales traced to the deposit tickets, deposits to the general ledger, reconciling problems, agreement between the credit card sales and the bank card machine printout and general ledger. The November 17, 2004 Ticketing End of Day Copy User Drawer Report showed a shortage of \$33.00. Through discussion with management it is unknown why there was a difference. It also appeared that because of the shortage, no cash was deposited for that day.
 - Selected 5 Performance Sales Reports and footed and recalculated totals, traced season tickets on the report to the subscriber lists by selecting a sample of 10 people and tracing payment history to ensure that the report is accurate, traced CMU students to the count sheets for football reports, and selected 2 events and reconciled to the end of day sales reports to ensure reports are accurate. The University of Kent State football game End of Day report for October 24, 2004 showed tickets sold of 8,673 and related revenue of \$59,294. The Performance report showed tickets sold of 9,491 and related revenue of \$60,144. Management is not aware of why this difference occurred. In addition, The Saginaw Valley 2004 men's basketball game End of Day report for November 27, 2004 showed tickets sold of 1,221 and related revenue of \$5,676.75. The Performance report showed tickets sold of 1,307 and related revenue of \$5,677.35. Management is not aware of why this difference occurred.
 - Reviewed 3 ticket seller's statements and examined for proper information and signatures, recalculated ticket sales and total cash, traced to the end of day report, traced deposit to general ledger, and for 3 events reconciled the number of tickets printed to the number sold plus the number of unsold consignment tickets.

- Reconciled total revenue per the general ledger with game reports. Obtained the adjustment to clear out the account and traced sales to event reports, traced the adjustment to the general ledger accounts 55075 and 110313, scanned the general ledger for other items and determined if the account was cleared for the season.

Student Fees

- We noted that the University does not have any revenue related to student fees.

Away Games Sales and Guarantees

- We selected a sample of 10 contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger and/or statement of revenues and expenses. We noted no exceptions as a result of our testing.
- We reviewed the guarantee game revenue with the applicable schools for football and basketball. Also, we obtained copies of sports schedules to determine if guarantees should have been received for other away games. No exceptions were noted as a result of our testing.

Contributions

- We noted that the athletics department did not receive any gifts exceeding \$110,680, or 10% of all contributions received for intercollegiate athletics.

Third-Party Support

- We noted that the University does not receive any third party support.

Direct State or Other Governmental Support

- We noted that the University does not receive direct state or other governmental support.

Direct Institutional Support

- We compared the direct institutional support recorded by the University during the reporting period with state appropriations Institutional authorizations and other corroborative supporting documentation. We noted no exceptions as a result of our testing.

Indirect Facilities and Administrative Support

- We noted that the University does not have indirect facilities and administrative support.

NCAA/Conference Distributions Including All Tournament Revenues

- We obtained and inspected agreements related to the University's participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions. We noted that all relevant terms and conditions appeared reasonable. We also compared and agreed the related revenues to the University's general ledger. No exceptions were noted as a result of our testing.

Broadcast, Television, Radio and Internet Rights

- We obtained and inspected agreements related to the University's participation in revenues from broadcast, television, radio, and internet rights to gain an understanding of the relevant terms and conditions. We noted that all relevant terms and conditions appeared reasonable. We also compared and agreed the related revenues for 5 radio rights to the University's general ledger. No exceptions were noted as a result of our testing.

Royalties, Advertisements and Sponsorships

- We obtained and inspected agreements related to the University's participation in revenues from royalties, advertisements and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions. We noted that all relevant terms and conditions appeared reasonable. We also compared and agreed the related revenues for 5 advertisements to the University's general ledger. No exceptions were noted as a result of our testing.

Sports Camp Revenues

- We inspected sports camp contracts between the University and persons conducting institutional sports camps or clinics during the reporting period to obtain an understanding of the University's methodology for recording revenues from sports camps. We noted that the methodology appeared reasonable. We also selected a sample of 15 individual camp participant cash receipts from the schedule of sports camp participants and agreed each selection to the University's general ledgers. We noted no exceptions as a result of our testing.

Endowment and Investment Income

- We analytically reviewed endowment and investment income related to intercollegiate athletics. We noted no unusual fluctuations as a result of our testing.

Expenses

Athletic Student Aid

- We selected a sample of 5 students from the listing of institutional student aid recipients during the reporting period. We obtained individual student-account detail for each selection and compared total aid allocated from the related aid award letter to the student's account. We noted no exceptions as a result of our testing.

Guarantees

- We obtained and inspected away-game settlement reports received by the University during the reporting period and agreed related expenses to the University's general ledger. We also obtained and inspected contractual agreements pertaining to expenses recorded by the University from guaranteed contests during the reporting period and reviewed for reasonableness. We noted no exceptions as a result of our testing.

- We obtained the schedule of guarantee expenses and agreed it to the general ledger. We reviewed the guarantee game expenses and agreed them with the applicable contractual agreements for football and basketball. Also, we obtained copies of sports schedules to determine if guarantees should have been paid for other home games. We noted no exceptions as a result of our testing.

Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

- We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period. We then selected a sample of three coaches' contracts that included football, men's basketball and women's basketball from the listing of coaches employed by the University and related entities. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits and bonuses recorded by the University and related entities in the statement during the reporting period. We obtained and inspected W-2's for each selection and compared and agreed these to the related coaching salaries, benefits and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period. No exceptions were noted as a result of our testing.

Coaching Other Compensation and Benefits Paid by a Third Party

- We noted that there were no coaching compensation or benefits paid by a third party.

Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities

- We selected a sample of 5 support staff/administrative personnel employed by the University and related entities during the reporting period. We then obtained and inspected W-2's for each selection. We compared and agreed these to the related support staff/administrative salaries, benefits and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period. We noted no exceptions as a result of our testing.

Support Staff/Administrative Other Compensation and Benefits Paid by a Third-Party

- We noted that there were no support staff paid by a third party.

Severance Payments

- We selected the one employee receiving severance payments by the University during the reporting period and agreed each severance payment to the related termination letter or employment contract. We noted no exceptions as a result of our testing.

Recruiting

- We obtained and documented an understanding of the University's recruiting expense policies. We then compared and agreed this to existing institutional and NCAA related policies. We noted no exceptions as a result of our testing.

Team Travel

- We obtained and documented an understanding of the University's team travel policies. We then compared and agreed this to existing institutional and NCAA related policies. We noted no exceptions as a result of our testing.

Indirect Facilities and Administrative Support

- We noted that there was no indirect facilities and administrative support.

Capitalized Assets, Additions and Improvements of Facilities

- We obtained a schedule of total intercollegiate athletics capitalized assets, additions and improvements of facilities by type. We then traced the amounts to the general ledger. No exceptions were noted as a result of our testing.
- For any significant capitalized additions made by the University greater than 10% of total capital additions, we agreed the recorded cost to adequate supporting documentation. No exceptions were noted as a result of our testing.

* * *

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 expenses of the University. Accordingly, we do not express such an opinion. Also, we express no opinion on the University's internal control over financial reporting or any part thereof. 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 Board of Trustees, Management of Central Michigan University and the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than those who have agreed the procedures and taken responsibility for the sufficiency of the procedures for their purposes of these specified parties.

Andrews Hooper & Pavlik P.L.C.

Saginaw, Michigan
December 13, 2005

Exhibit I
Central Michigan University
Intercollegiate Athletics Program
Statement of Revenues and Expenses
For the year ended June 30, 2005
(Dollars in Thousands)

	Football	Men's Basketball	Women's Basketball	Baseball	Other Sports	Non- Program Specific	Total
Revenues:							
Ticket sales	\$ 354	\$ 92	\$ 9	\$ 7	\$ 16	\$ 7	\$ 485
Away-game sales and guarantees	600	90	8	4	2	-	704
Contributions	211	116	41	73	255	411	1,107
Direct institutional support	2,226	332	545	366	2,985	5,388	11,842
NCAA/Conference distributions including all tournament revenues	-	152	-	-	6	620	778
Broadcast, television, radio, and internet rights	-	-	-	-	-	111	111
Program sales, concessions, novelty sales and parking	40	8	-	2	3	2	55
Royalties, advertisements and sponsorships	-	-	-	-	-	127	127
Sports camp revenues	139	483	268	77	439	36	1,442
Endowment and investment income	2	-	2	3	-	27	34
Other revenues	-	-	-	-	-	51	51
Total operating revenue	3,572	1,273	873	532	3,706	6,780	16,736
Expenses:							
Athletic student aid	1,278	195	203	156	1,415	-	3,247
Guarantees	120	6	5	-	-	-	131
Coaching salaries, benefits and bonuses paid by the University	1,017	444	291	167	1,289	-	3,208
Support staff/administrative salaries, benefits and bonuses paid by the University	239	59	17	1	2	1,662	1,980
Severance payments	22	-	-	-	-	-	22
Recruiting	169	64	36	24	94	-	387
Team travel	188	69	53	95	379	14	798
Equipment, uniforms and supplies	127	20	23	18	88	60	336
Game expenses	44	50	34	9	35	4	176
Fundraising, marketing and promotion	15	30	15	11	45	251	367
Sports camp expenses	76	301	172	29	268	28	874
Direct facilities, maintenance and rental	35	4	1	11	9	3,806	3,866
Other operating expenses	242	31	23	11	82	955	1,344
Total operating expenses	3,572	1,273	873	532	3,706	6,780	16,736
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	-	-	-	-	-	-	-

See notes to statement of revenues and expenses.

Central Michigan University

Intercollegiate Athletics Program

Notes to Statement of Revenues and Expenses

For the year ended June 30, 2005

1. Basis of Presentation and Summary of Significant Accounting Policies

The statement of revenues and expenses for the Intercollegiate Athletics Program has been prepared in accordance with the accounting principles generally accepted in the United States of America and the *NCAA Financial Audit Guidelines*.

2. Capital Assets

	Beginning Balance July 1, 2004	Additions	Reductions	Ending Balance June 30, 2005
<i>Buildings</i>				
Football	\$ 4,397,806	\$ 181	–	\$ 4,397,987
Basketball	13,777,615	142,427	–	13,920,042
Other	27,864,353	73,144	–	27,937,497
Total buildings	46,039,774	215,752	–	46,255,526
<i>Land improvements</i>				
Football	49,965	105,963	–	155,928
Basketball	17,329	12,674	–	30,003
Other	14,490	440,005	–	454,495
Total land improvements	81,784	558,642	–	640,426
<i>Infrastructure</i>				
Other	163,022	247,512	–	410,534
Total infrastructure	163,022	247,512	–	410,534
<i>Equipment</i>				
Football	124,553	–	–	124,553
Basketball	828,995	–	\$33,721	795,274
Other	180,558	–	22,122	158,436
Total equipment	1,134,106	–	55,843	1,078,263
TOTAL	47,418,686	1,021,906	55,843	48,384,749
<i>Less accumulated depreciation:</i>				
Buildings	12,744,773	1,195,504	–	13,940,277
Land improvements	25,503	189,620	–	215,123
Infrastructure	18,261	44,623	–	62,884
Equipment	837,289	87,288	49,451	875,126
TOTAL	13,625,826	1,517,035	49,451	15,093,410
CAPITAL ASSETS, NET	\$33,792,860	\$ (495,129)	\$ 6,392	\$33,291,339

Central Michigan University

Intercollegiate Athletics Program

Notes to Statement of Revenues and Expenses (continued)

2. Capital Assets (continued)

All capital assets follow the policies of the University when acquiring, approving, depreciating, and disposing of intercollegiate athletics related assets. See notes to the University financial statements for further detail.

3. Booster Activity

The athletics area of the University has an internal booster club called the Chippewa Club. Its purpose is to raise funds for intercollegiate athletics. Monies raised through the club are collected and accounted for in the University's Development Office, which collects all contributions for the University.

4. Long Term Debt

Intercollegiate Athletic related long-term debt and other obligations consist of the following as of June 30, 2005:

General Revenue Bonds	Interest Rate	Fiscal Year Maturity	Beginning Balance July 1, 2004	Reductions	Ending Balance June 30, 2005	Current Portion
Series 1997	4.85-4.90%	2006-2007	\$ 2,525,000	\$ 800,000	\$ 1,725,000	\$ 840,000
Series 1998:						
Series Bonds	4.15-4.85%	2006-2014	10,040,000	210,000	9,830,000	220,000
Term Bonds	4.80-5.00%	2015-2028	29,010,000	—	29,010,000	—
TOTAL			\$41,575,000	\$1,010,000	\$40,565,000	\$1,060,000

The principal and interest on notes and bonds are payable only from certain general revenues. The obligations are generally callable. The principal and interest amounts due in each of the succeeding five years ending June 30 and thereafter are as follows:

	Principal	Interest	Total
2006	\$ 1,060,000	\$ 1,950,460	\$ 3,010,460
2007	1,115,000	1,898,955	3,013,955
2008	1,165,000	1,847,629	3,012,629
2009	1,225,000	1,796,229	3,021,229
2010	1,275,000	1,741,216	3,016,216
2011-2015	7,325,000	7,741,561	15,066,561
2016-2020	9,355,000	5,725,940	15,080,940
2021-2025	12,005,000	3,071,375	15,076,375
2026-2028	6,040,000	330,750	6,370,750
TOTAL	\$40,565,000	\$26,104,115	\$66,669,115