

Central Michigan University
Intercollegiate Athletics Program

Report on Agreed-Upon Procedures

For the year ended June 30, 2009



Independent Accountants' Report on Applying Agreed-Upon Procedures

Ms. Kathleen M. Wilbur
Interim President
Central Michigan University
Mt. Pleasant, Michigan

Dear Interim President Wilbur:

We have audited the financial statements of Central Michigan University (the "University") as of and for the year ended June 30, 2009, and have issued our unqualified report thereon dated August 27, 2009. 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 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. No exceptions were noted 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. No exceptions were noted as a result of our testing.

SUBSTANTIVE PROCEDURES

General

- We obtained a printout of revenues and expenses for the athletics department accounts and traced and reconciled amounts reported on the statement to the University's cost center and supporting schedules. We reconciled revenue without exception and expenses to within approximately \$5,000.
- We performed analytical review procedures by comparing current year revenue and expenses of the Intercollegiate Athletics Program to the prior year and current year budget in order to identify unusual fluctuations. We obtained and documented an understanding of these variances. No exceptions were noted as a result of our testing.
- We determined that the University does not allocate indirect facilities and administrative support costs to specific programs/sports through inquiry with management.
- We obtained supporting documentation for additions to restricted funds (none were noted), changes to endowment funds, and significant (all items greater than 10% of total capital additions) changes to plant funds. No exceptions were noted as a result of 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 as a result of our testing.
- We inquired of members of the athletics department regarding the existence of any significant outside booster group, alumni organization, and 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 and 1100 Club are such clubs whose purpose is to raise funds for intercollegiate athletics. We also noted that all monies raised through the Chippewa Club and 1100 Club are recorded with other athletic contributions and turned in to the Development Office in accordance with the University policy. No exceptions were noted 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 that work during our testing of the athletics department.

Revenues

Ticket Sales

- We compared tickets sold, complimentary tickets provided, and unsold tickets during the reporting period to the related revenue reported by the athletics department in the statement of revenues and expenses and the related attendance figures by performing the following:
 - Examined 13 billings and traced name, amount of payment, form of payment, seats, and type of ticket holder to the athletic ticket system for agreement. No exceptions were noted as a result of our testing.
 - Selected 10 System Batch Reports and reviewed for Senior Associate Athletic Director or Director of Athletic Business Operations review; clerical accuracy; reconciliation of cash to the computer ticket system; timeliness of deposit; and whether the cash, checks, and individual event sales traced to the deposit tickets; whether the deposits traced to the general ledger; whether there were reconciling problems; and whether there was agreement between the credit card sales and the general ledger. For 4 of the 10 reports, cash shortages or overages were noted. Total shortages were \$40 and total overages were \$12. Also, for 1 of the reports, a \$23 check payment was applied as cash and not a check.
 - Selected 5 Order Detail Reports and footed and recalculated totals. We obtained a report of season ticket holders from the ticket manager and selected a sample of 10 people and traced and agreed payment history to the system to ensure that the report is accurate. No exceptions were noted as a result of our testing.

- Traced football Order Detail Reports ticket numbers and revenue dollar numbers to the NCAA report as well as selecting 2 events and reconciling to the System Batch Reports; however, Order Detail Reports could not be reconciled to System Batch Reports because the system batch does not include the appropriate detail for each event and only shows the totals by date. We were able to perform a reconciliation of football ticket revenue from Order Detail Reports to the EADA (Equity in Athletics Disclosure Act) report with a difference of \$2,209.
- Obtained copies of 2 football Order Detail Reports and obtained the reduced price ticket stubs counted and reconciled to the game report. We noted that ticket stubs from each game are maintained in a large plastic bag and are not divided by price; therefore, actual discounted ticket stubs were not obtained or counted. In place of these, Ticket Type Reports were obtained from the XOS System. These reports listed the recipient of discounted tickets, the game of issue, the seats, the amount of tickets sold, and the discount pricing code. We were unable to reconcile the Ticket Type Reports to Order Detail Reports because Order Detail Reports do not separately disclose the amount of discounted ticket sales.
- Obtained copies of 2 football Order Detail Reports and traced the number of CMU students to the count sheets. We noted that the number of students present at games is not listed on the Order Detail Reports. Therefore, it was not possible to trace student attendance from the report to the count sheets. In place of this, we obtained Internal Audit attendance sheets for 2 football games. According to management, the “clicker” count totals should be exclusively students. Approximate student attendance for the Eastern Illinois University game totaled 10,898 and for the Temple University game, 11,130. Amounts appear reasonable.
- Obtained copies of 2 football Order Detail Reports and reviewed the number of CMU Marching Band members submitted to athletics by the Band Director for reasonableness. We also obtained a memo sent to the Board of Trustees of the University from the Internal Audit Department which listed the final counts of attendance at the football games. Band attendance totaled 1,247 for all five home football games and appeared reasonable.
- Obtained copies of all football Order Detail Reports and traced the name, date of each game, and average attendance to the NCAA report and determined that the reports were clerically accurate and submitted to the NCAA prior to February 15th. No exceptions were noted as a result of our testing.
- Reviewed all ticket seller’s statements for 3 games, including 2 football and 1 men’s basketball, and examined for proper information and signatures; recalculated ticket sales and total cash; reviewed trouble sheet for accurate information; 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. No exceptions were noted as a result of our testing.

- We were unable to reconcile total revenue recorded in the general ledger with game reports since daily ticket sales do not contain the specific sport revenue breakdown. We obtained the clearing account adjustment and traced it to the general ledger accounts without exception. We also scanned the general ledger for other items and determined if the clearing account was cleared for the season. No unusual general ledger entries were noted and the clearing account was cleared for the season.
- Determined how voids and returns are handled. Selected 10 dates from the manual void/return log and traced to the tickets and ensured that they were defaced. We noted no exceptions as a result of our testing. In addition, for the 10 dates noted above, we counted the returned and reprinted tickets and compared to the log for accuracy. For 1 date, the log indicated 427 returned tickets while the count indicated 417 returned tickets. One packet of 9 tickets was incorrectly logged as 19, which created the difference. As noted in the prior year report, a written log will document voids and returns, but it may still pose a risk for loss of voided tickets for accounting purposes because management would still be unable to reconcile a system generated report of all voids and returns to the physical void and return tickets.

Student Fees

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

Away-Game Sales and Guarantees

- We selected a sample of 2 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. No exceptions were noted 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 and inquired of management to determine if guarantees should have been received for other away games. No exceptions were noted as a result of our testing.

Contributions

- We obtained and reviewed a listing of contribution categories of monies, goods, or services received directly by the Intercollegiate Athletics Program for any affiliated or outside organization, agency, or group of individuals and inquired of management if any individual contribution constituted 10% or more of all contributions received for intercollegiate athletics. Management noted there were no individual contribution amounts exceeding this threshold.

Compensation and Benefits Provided by a Third Party

- We noted that there was compensation and benefits provided by a third party in the amount of \$34,835 which includes amounts paid to various athletics department staff for camps, clinics, speaking engagements, endorsement contracts, and development programs. The remaining amount shown in the statement of revenues and expenses is the value of 6 graduate students provided to the athletics department in exchange for teaching duties in the physical education and sports department.

Direct State or Other Governmental Support

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

Direct Institutional Support

- We compared the direct institutional support recorded by the athletics department during the reporting period with state appropriations, institutional authorizations, and other corroborative supporting documentation. No exceptions were noted as a result of our testing.

Indirect Facilities and Administrative Support

- We noted that there was no indirect facilities and administrative support received by specific programs/sports.

NCAA/Conference Distributions Including All Tournament Revenues

- We obtained and inspected 2 agreements related to the athletics department 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 statement. No exceptions were noted as a result of our testing.

Broadcast, Television, Radio, and Internet Rights

- We noted 1 revenue transaction related to the athletics department's participation in revenues from broadcast, television, radio, and internet rights. Management noted that the MAC does not provide the full agreement to each school; therefore, we could not review the agreement. We reviewed a copy of the check and a letter from the MAC verifying the receipt of the revenue. We also compared and agreed the related revenues to the statement. No exceptions were noted as a result of our testing.

Royalties, Licensing, Advertisements, and Sponsorships

- We obtained and inspected 2 agreements related to the athletics department's participation in revenues from royalties, licensing, 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 to the statement. No exceptions were noted as a result of our testing.

Sports Camps' Revenues

- We inspected 2 sports camps' contracts between the athletics department 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, based on review of 2 coaches employment contracts, that they are contractually obligated to be involved in sports camps on the University's campus. We noted that the methodology for recording sports camps' revenue appeared reasonable. We also selected 2 individual sports camps and obtained a cash receipts listing by participant for each and agreed each total to the statement. No exceptions were noted as a result of our testing.

Endowment and Investment Income

- We obtained and inspected 1 new endowment agreement to gain an understanding of the relevant terms and conditions. We compared and agreed the classification and use of endowment and investment income reported in the statement of revenues and expenses during the reporting period to the uses of income defined within the related endowment agreement. No exceptions were noted 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. No exceptions were noted as a result of our testing.

Guarantees

- We obtained and inspected 4 contractual agreements pertaining to expenses recorded by the athletics department from guaranteed contests during the reporting period and reviewed for reasonableness. No exceptions were noted 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. No exceptions were noted 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 during the reporting period. We then selected a sample of 3 coaches' contracts that included football, men's basketball, and women's basketball from the listing of coaches employed by the University. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the athletics department in the statement of revenues and expenses during the reporting period. We obtained and inspected W-2s for each selection and compared and agreed these to the related coaching salaries,

benefits, and bonuses paid by the University and recorded by the athletics department in the statement of revenues and expenses 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 was coaching compensation and benefits paid by a third party in the amount of \$34,835 which includes amounts paid to coaches for camps, clinics, speaking engagements, endorsement contracts, and development programs. The remaining amount shown in the statement of revenues and expenses is the value of 4 graduate students provided to the athletics department in exchange for teaching duties in the physical education and sports department. We selected a sample of 2 coaches and traced their compensation and benefits paid by a third party to supporting documentation. For 1 out of the 2 coaches selected for testing, the Summary of Outside Athletically Related Income form was not submitted to the athletics department as required. A Pre-Approval Request form was obtained; however, it was not signed by the coach and the approve or disapprove box was not checked. Also, the pre-approval indicated a revenue amount of \$12,000, whereas the revenue recorded on the EADA was \$15,000.

In addition, according to NCAA Bylaw 11.2.2 and institutional policy, the University's compliance office is required to provide the University president a detailed report of all outside athletically related income earned by coaches and administrators in the athletics department during the fiscal year. We obtained a copy of this report dated September 9, 2009, and noted that it did not include a total of \$16,400 of outside income which was included in the EADA.

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-2s 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 athletics department in the Statement of Revenue and Expenses during the reporting period. No exceptions were noted as a result of our testing.

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

- We noted that there was support staff/administrative other compensation and benefits paid by a third party in the amount of \$33,560, which is the value of 2 graduate students provided to the athletics department in exchange for teaching duties in the physical education and sports department.

Severance Payments

- We selected 1 employee that received severance payments from the University during the reporting period and agreed the severance payment to the related termination letter or employment contract. No exceptions were noted as a result of our testing.

Recruiting

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

Team Travel

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

Indirect Facilities and Administrative Support

- We noted that there were no indirect facilities and administrative support costs charged to specific programs/sports.

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 athletics department 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 to the procedures and taken responsibility for the sufficiency of the procedures for their purposes of these specified parties.

Andrews Hoope & Pavlik P.L.C.

Saginaw, Michigan
January 12, 2010

Exhibit I
Central Michigan University
Intercollegiate Athletics Program
Statement of Revenues and Expenses
For the year ended June 30, 2009
(Dollars in Thousands)

	Football	Men's Basketball	Women's Basketball	Baseball	Other Sports	Non- Program Specific	Total
Revenues:							
Ticket sales	\$ 1,126	\$ 72	\$ 6	\$ 10	\$ 60	\$ 71	\$ 1,345
Away-game sales and guarantees	1,138	140	22	7	7		1,314
Contributions	410	81	49	110	299	278	1,227
Compensation and benefits provided by a third party	2	10		3	87	34	136
Direct institutional support	24	6	6	10	35	15,272	15,353
NCAA/Conference distributions including all tournament revenues	150	135			14	768	1,067
Broadcast, television, radio, and internet rights	10						10
Program sales, concessions, novelty sales, and parking	77	6	1	23	105	10	222
Royalties, licensing, advertisements, and sponsorships	326	91	69	20	77	351	934
Sports camp revenues	53	49	75	57	468	192	894
Endowment and investment income	(11)		(3)	(8)		(82)	(104)
Other revenues	3			2	7	9	21
Total operating revenue	3,308	590	225	234	1,159	16,903	22,419
Expenses:							
Athletic student aid	1,709	235	253	214	1,850	338	4,599
Guarantees	225	8	1	1			235
Coaching salaries, benefits, and bonuses paid by the University	1,361	461	370	206	1,575		3,973
Coaching other compensation and benefits paid by a third party	2	10		3	87		102
Support staff/administrative salaries, benefits, and bonuses paid by the University	418	69	61	17	19	2,102	2,686
Support staff/administrative other compensation and benefits paid by a third party						34	34
Severance payments	38				16		54
Recruiting	163	56	54	26	128		427
Team travel	426	118	90	124	420	34	1,212
Equipment, uniforms, and supplies	258	5	16	27	150	15	471
Game expenses	947	113	35	2	66	46	1,209
Fundraising, marketing, and promotion	153	58	57	74	168	361	871
Sports camp expenses	92	97	79	13	303	125	709
Direct facilities, maintenance, and rental	116	3	4	12	256	4,453	4,844
Other operating expenses	125	37	24	8	62	737	993
Total operating expenses	6,033	1,270	1,044	727	5,100	8,245	22,419
Excess (deficiency) of revenues over (under) expenses	\$(2,725)	\$ (680)	\$ (819)	\$(493)	\$(3,941)	\$ 8,658	-

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, 2009

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, 2008	Additions	Reductions	Ending Balance June 30, 2009
<i>Buildings:</i>				
Football	\$ 4,578,400	\$2,300,000	–	\$ 6,878,400
Basketball	14,704,108	74,846	–	14,778,954
Other	27,989,656	–	–	27,989,656
Total buildings	47,272,164	2,374,846	–	49,647,010
<i>Land improvements:</i>				
Football	862,596	–	–	862,596
Basketball	502,483	–	–	502,483
Other	484,438	81,190	–	565,628
Total land improvements	1,849,517	81,190	–	1,930,707
<i>Infrastructure:</i>				
Other	410,534	–	–	410,534
Total infrastructure	410,534	–	–	410,534
<i>Capitalized collections:</i>				
Football	10,680	–	–	10,680
Total capitalized collections	10,680	–	–	10,680
<i>Equipment:</i>				
Football	141,086	53,005	\$ 2,392	191,699
Basketball	648,268	19,108	167,894	499,482
Other	221,327	45,687	21,326	245,688
Total equipment	1,010,681	117,800	191,612	936,869
Total	50,553,576	2,573,836	191,612	52,935,800
<i>Less accumulated depreciation:</i>				
Buildings	17,562,313	1,380,618	–	18,942,931
Land improvements	1,326,360	152,259	–	1,478,619
Infrastructure	124,777	20,631	–	145,408
Equipment	879,647	46,594	187,602	738,639
Total	19,893,097	1,600,102	187,602	21,305,597
Capital assets, net	\$30,660,479	\$ 973,734	\$ 4,010	\$31,630,203

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 department of the University has internal booster clubs called the Chippewa Club and 1100 Club. The purpose is to raise funds for intercollegiate athletics. Monies raised through the clubs 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, 2009:

General Revenue Bonds	Interest Rate	Fiscal Year Maturity	Beginning Balance July 1, 2008	Reductions	Ending Balance June 30, 2009	Current Portion
Series 1998:						
Series Bonds	4.45-4.85%	2010-2014	\$ 8,215,000	\$1,225,000	\$ 6,990,000	\$1,275,000
Term Bonds	4.80-5.00%	2016-2028	29,010,000	-	29,010,000	-
TOTAL			\$37,225,000	\$1,225,000	\$36,000,000	\$1,275,000

The principal and interest on notes and bonds are payable only from certain general revenues. The obligations are generally callable. The principal and interest (using June 30, 2009 rates) amounts due in each of the succeeding 5 years ending June 30 and thereafter are as follows:

	Principal	Interest	Total
2010	\$ 1,275,000	\$ 1,741,216	\$ 3,016,216
2011	1,330,000	1,682,590	3,012,590
2012	1,395,000	1,619,899	3,014,899
2013	1,460,000	1,552,790	3,012,790
2014	1,530,000	1,481,013	3,011,013
2015-2019	8,905,000	6,177,460	15,082,460
2020-2024	11,415,000	3,656,875	15,071,875
2025-2028	8,690,000	699,000	9,389,000
Total	\$36,000,000	\$18,610,843	\$54,610,843