

Central Michigan University
Intercollegiate Athletics Program

Report on Agreed-Upon Procedures

For the year ended June 30, 2010

Independent Accountants' Report on Applying Agreed-Upon Procedures

Dr. George E. Ross
President
Central Michigan University
Mt. Pleasant, Michigan

Dear President Ross:

We have audited the financial statements of Central Michigan University (University) as of and for the year ended June 30, 2010, and have issued our unqualified report thereon dated August 31, 2010. 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 system report 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 and expenses without exception.
- 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 15 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; 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. No exceptions were noted as a result of our testing.
 - We obtained a report of season ticket holders from the ticket manager and selected a sample of 10 season ticket holders and traced and agreed ticket types to the system to ensure that the report is accurate. No exceptions were noted as a result of our testing.

- Selected 5 Order Detail Reports and footed and recalculated totals. 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.
- 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, 2 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 reviewed the reports and noted that discounted ticket sales are being properly tracked.
- Obtained copies of 2 football Order Detail Reports. 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 Michigan University Game totaled 10,407 and for the University of Toledo game, 9,597. Amounts appear reasonable.
- We obtained a memo sent to the Athletic Director of the University from the Internal Audit Department which listed the final counts of attendance at the football games. Band attendance totaled 1,216 for all five home football games and appeared reasonable.
- Obtained copies of all football Order Detail Reports and traced the name of each game to the NCAA report and determined that the reports were clerically accurate and submitted to the NCAA prior to February 15th. We obtained the annual certified actual attendance audit performed by the University’s Internal Audit Department and traced the results to the NCAA report. 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 approval and signatures; recalculated ticket sales and total cash; reviewed trouble sheet for accurate information; traced deposit to general ledger; and for the 3 events, reconciled the number of tickets issued to the seller to the number of tickets sold and returned by the seller. 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. However, we were able to reconcile total ticket sales for all sports from the general ledger to the EADA. We noted no unusual general ledger entries 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 433 returned tickets while the count indicated 532 returned tickets. On the same date a packet of 100 tickets was marked as returned one day, but not actually logged and returned until the following day. For another date, one packet of 89 tickets was incorrectly recorded as 84 on the log. For another date, a packet of tickets was recorded as 84 on the log, however, 85 tickets were recounted. For another date, a packet of 81 tickets was incorrectly logged as 180; this, in addition to other miscounts, created a total difference of 100 tickets for that date. 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 reviewed all football, men's basketball, and woman's basketball 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, men's basketball, and woman's 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 discussed the various 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 with management and inquired 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 \$15,000 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 7 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 supporting documentation for 2 receipts 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 obtained and inspected supporting documentation for 1 revenue transaction related to the athletics department's participation in revenues from broadcast, television, radio, and internet rights. Management noted that Grenax does not provide an agreement; therefore, we could not review the agreement; however, we reviewed a copy of the check from Grenax 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 3 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 Camp 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 3 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 reviewed the existing endowment agreements 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 each 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 1 contractual agreement pertaining to expenses recorded by the athletics department from the guaranteed contest 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 one guarantee game expense and agreed it with the applicable contractual football agreement. 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

- 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 \$15,000 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 5 graduate students provided to the athletics department in exchange for teaching duties in the physical education and sports department. We selected a sample of 3 coaches and traced their compensation and benefits paid by a third party to supporting documentation. For 1 out of the 3 coaches selected for testing, the Summary of Outside Athletically Related Income form was not submitted to the athletics department at year-end as required. A Pre-Approval Request form was obtained; however, the approve or disapprove box was not checked.

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 22, 2010, and agreed the amount of outside income to the Statement of Revenues and Expenses.

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

- 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 Revenues 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 \$36,464, 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 noted there were no employees that received severance payments from the University during the reporting period.

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 Revenues 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 Hooper Pavlik PLC

Saginaw, Michigan
November 17, 2010

Exhibit I
Central Michigan University
Intercollegiate Athletics Program
Statement of Revenues and Expenses
For the year ended June 30, 2010
(Dollars in Thousands)

	Football	Men's Basketball	Women's Basketball	Baseball	Other Sports	Non- Program Specific	Total
Revenues:							
Ticket sales	\$ 892	\$ 68	\$ 12	\$ 26	\$ 60	\$ 85	\$ 1,143
Away-game sales and guarantees	1,370	150	26	16	1		1,563
Contributions	445	57	21	64	228	257	1,072
Compensation and benefits provided by a third party	2			4	101	36	143
Direct institutional support	326	6	6	18	31	16,071	16,458
NCAA/Conference distributions including all tournament revenues	353	103			1	987	1,444
Broadcast, television, radio, and internet rights		16			4	24	44
Program sales, concessions, novelty sales, and parking	59	6	2	21	28	68	184
Royalties, licensing, advertisements, and sponsorships	474	130	67	21	117	266	1,075
Sports camp revenues	86	73	91	51	489	17	807
Endowment and investment income	8		2	5		49	64
Other revenues	689				1	16	706
Total operating revenues	4,704	609	227	226	1,061	17,876	24,703
Expenses:							
Athletic student aid	1,830	237	282	217	1,829	201	4,596
Guarantees	300						300
Coaching salaries, benefits, and bonuses paid by the University	1,894	469	407	222	1,486		4,478
Coaching other compensation and benefits paid by a third party	2			4	100		106
Support staff/administrative salaries, benefits, and bonuses paid by the University	176	77	71	12	55	2,649	3,040
Support staff/administrative other compensation and benefits paid by a third party						37	37
Recruiting	185	63	38	33	148	35	502
Team travel	1,108	136	91	106	451	32	1,924
Equipment, uniforms, and supplies	326	29	26	33	188	55	657
Game expenses	188	65	38	17	56	20	384
Fundraising, marketing, and promotion	142	39	29	23	127	304	664
Sports camp expenses	8	3		10	114	420	555
Direct facilities, maintenance, and rental	89	9	15	20	15	4,393	4,541
Other operating expenses	790	96	43	26	142	1,220	2,317
Total operating expenses	7,038	1,223	1,040	723	4,711	9,366	24,101
Excess (deficiency) of revenues over (under) expenses	\$ (2,334)	\$ (614)	\$ (813)	\$ (497)	\$ (3,650)	\$ 8,510	\$ 602

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, 2010

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, 2009	Additions	Reductions	Ending Balance June 30, 2010
<i>Buildings:</i>				
Football	\$ 6,878,400	\$ —	\$ —	\$ 6,878,400
Basketball	14,778,954	40,430	—	14,819,384
Other	27,989,656	493,145	—	28,482,801
Total buildings	49,647,010	533,575	—	50,180,585
<i>Land improvements:</i>				
Football	862,596	—	—	862,596
Basketball	502,483	—	—	502,483
Other	565,628	143,483	—	709,111
Total land improvements	1,930,707	143,483	—	2,074,190
<i>Infrastructure:</i>				
Other	410,534	—	—	410,534
Total infrastructure	410,534	—	—	410,534
<i>Capitalized collections:</i>				
Football	10,680	—	—	10,680
Other	—	2,772	—	2,772
Total capitalized collections	10,680	2,772	—	13,452
<i>Equipment:</i>				
Football	191,699	—	—	191,699
Basketball	499,482	23,509	—	522,991
Other	245,688	30,923	—	276,611
Total equipment	936,869	54,432	—	991,301
Total	52,935,800	734,262	—	53,670,062
<i>Less accumulated depreciation:</i>				
Buildings	18,942,931	1,417,401	—	20,360,332
Land improvements	1,478,619	155,033	—	1,633,652
Infrastructure	145,408	20,631	—	166,039
Equipment	738,639	55,548	—	794,187
Total	21,305,597	1,648,613	—	22,954,210
Capital assets, net	\$ 31,630,203	\$ (914,351)	\$ —	\$ 30,715,852

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

On October 1, 2009, the University issued \$32,265,000 in General Revenue Bonds, Series 2009A. The proceeds from the sale of the bonds were used to refund the General Revenue Bonds, Series 1998. Approximately 61.15% of the Series 2009A issue is allocated to fund athletic related projects. This allocation has been reflected in the tables below.

Intercollegiate Athletic related long-term debt and other obligations consist of the following as of June 30, 2010:

General Revenue Bonds	Interest Rate	Fiscal Year Maturity	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Current Portion
Series 1998:							
Series Bonds	N/A	Refunded 10/09	\$ 4,274,385	\$ —	\$ 4,274,385	\$ —	\$ —
Term Bonds	N/A	Refunded 10/09	17,739,615	—	17,739,615	—	—
Series 2009A:							
Series Bonds	2.00-5.00%	2011-2027	—	19,730,047	—	19,730,047	764,375
Unamortized Premium			—	1,783,555	74,412	1,709,143	105,178
Total			\$22,014,000	\$21,513,602	\$22,088,412	\$21,439,190	\$869,553

Central Michigan University

Intercollegiate Athletics Program

Notes to Statement of Revenues and Expenses (continued)

4. Long-Term Debt (continued)

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, 2010 rates) amounts due in each of the succeeding 5 years ending June 30 and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 764,375	\$ 940,028	\$ 1,704,403
2012	794,950	912,511	1,707,461
2013	834,697	871,770	1,706,467
2014	874,445	829,041	1,703,486
2015	923,365	784,096	1,707,461
2016-2020	5,381,200	3,159,315	8,540,515
2021-2025	6,900,777	1,632,017	8,532,794
2026-2027	3,256,238	156,773	3,413,011
	<u>19,730,047</u>	<u>\$9,285,551</u>	<u>\$29,015,598</u>
Unamortized Premium	<u>1,709,143</u>		
Total	<u>\$21,439,190</u>		