

Central Michigan University
Intercollegiate Athletics Program

Report on Agreed-Upon Procedures

For the year ended June 30, 2011

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, 2011, and have issued our unqualified report thereon dated August 29, 2011. 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 3.2.4.16. 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 16 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.
 - Selected 5 Order Detail Reports and footed and recalculated totals. Also, traced football Order Detail Reports ticket numbers and revenue dollar numbers to the NCAA report, and selected 2 events and reconciled 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 \$51.

- 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 Ball State University game totaled 6,790 and for the Western Michigan University game, 11,836. 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 1,437 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 sellers’ statements for 2 football games and examined for proper approval and signatures; recalculated ticket sales and total cash; reviewed trouble sheet for accurate information; and reconciled the number of tickets issued to the seller to the number of tickets sold and returned by the seller. Based on discussion with the ticket manager, we noted that the trouble sheet form is outdated and we recommend updating the sheet to more accurately reflect its purpose. 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.
- Obtained NCAA complimentary ticket regulations and compared to University procedures. Obtained complimentary ticket records and selected 14 athletes who received complimentary tickets (including football, men’s basketball, women’s basketball, wrestling, and volleyball) for testing. Noted that the number of tickets given to each athlete did not exceed the limit; traced athlete names selected for testing to the Pass List (complimentary ticket listing); and, traced each athlete to the applicable sport roster. No exceptions were noted as a result of our testing.

- 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 197 returned tickets while the count indicated 243 returned tickets creating a total difference of 46 tickets for that date.

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 women'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 women'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 \$15,978, 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 coaching and 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 2 revenue transactions related to the athletics department participation in revenues from broadcast, television, radio, and internet rights. We noted that all relevant terms and conditions appeared reasonable. Management noted that BW3 does not provide an agreement; therefore, we could not review the agreement; however, we reviewed a copy of the deposit form from BW3 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 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 within minor amounts (within \$1,400 or less per sport).

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 \$15,978 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 6 coaches and traced their compensation and benefits paid by a third party to supporting documentation. For 2 out of 6 coaches selected for testing, the Summary of Outside Athletically Related Income form was not signed by the Director of Athletics. For 4 out of 6 coaches selected for testing, the Summary of Outside Athletically Related Income form and/or the Pre-Approval Request Form was completed improperly by including amounts earned by coaches in fiscal year 2012. In some cases, these forms were approved by the Director of Athletics. These errors resulted in an overstatement of revenue on the EADA by \$7,560. Upon discovery of these errors, all outside income forms were reviewed and the EADA was corrected by the athletics department.

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 August 12, 2011; however, we were unable to agree the amount of outside income to the Statement of Revenues and Expenses due to the errors noted above.

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
December 7, 2011

Exhibit I
Central Michigan University
Intercollegiate Athletics Program
Statement of Revenues and Expenses
For the year ended June 30, 2011
(Dollars in Thousands)

	Football	Men's Basketball	Women's Basketball	Baseball	Other Sports	Non- Program Specific	Total
Revenues:							
Ticket sales	\$ 583	\$ 94	\$ 8	\$ 16	\$ 55	\$ 43	\$ 799
Away-game sales and guarantees	1,175	245	14	28	5		1,467
Contributions	380	46	28	111	250	296	1,111
Compensation and benefits provided by a third party	4			3	100	37	144
Direct institutional support	26	68	6	10	32	16,468	16,610
NCAA/Conference distributions including all tournament revenues					17	1,053	1,070
Broadcast, television, radio, and internet rights	1	4				6	11
Program sales, concessions, novelty sales, and parking	36	5	2	3	91	78	215
Royalties, licensing, advertisements, and sponsorships	537	125	82	20	43	351	1,158
Sports camp revenues	72	86	9	50	511	29	757
Endowment and investment income	14		3	10		97	124
Other revenues	5	2	1	1	1	24	34
Total operating revenues	2,833	675	153	252	1,105	18,482	23,500
Expenses:							
Athletic student aid	1,776	309	267	243	1,924	147	4,666
Guarantees	320						320
Coaching salaries, benefits, and bonuses paid by the University	1,646	485	405	210	1,606		4,352
Coaching other compensation and benefits paid by a third party	4			3	100		107
Support staff/administrative salaries, benefits, and bonuses paid by the University	207	98	46	15	54	2,900	3,320
Support staff/administrative other compensation and benefits paid by a third party						37	37
Recruiting	175	94	42	31	135	21	498
Team travel	530	174	98	126	511	50	1,489
Equipment, uniforms, and supplies	152	24	27	37	185	83	508
Game expenses	186	68	34	23	91	5	407
Fundraising, marketing, and promotion	158	28	26	24	44	377	657
Sports camp expenses	68	38	21	13	283	78	501
Direct facilities, maintenance, and rental	95	11	10	33	29	4,566	4,744
Other operating expenses	510	133	40	33	101	1,000	1,817
Total operating expenses	5,827	1,462	1,016	791	5,063	9,264	23,423
Excess (deficiency) of revenues over (under) expenses	\$ (2,994)	\$ (787)	\$ (863)	\$ (539)	\$ (3,958)	\$ 9,218	\$ 77

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, 2011

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, 2010	Additions	Reductions	Ending Balance June 30, 2011
<i>Buildings:</i>				
Football	\$ 6,878,400	\$ 260,750	\$ —	\$ 7,139,150
Basketball	14,819,384	14,530,108	—	29,349,492
Other	28,482,801	—	—	28,482,801
Total buildings	50,180,585	14,790,858	—	64,971,443
<i>Land improvements:</i>				
Football	862,596	75,089	—	937,685
Basketball	502,483	220,974	—	723,457
Other	709,111	108,297	—	817,408
Total land improvements	2,074,190	404,360	—	2,478,550
<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	13,452	—	—	13,452
<i>Equipment:</i>				
Football	191,699	—	4,095	187,604
Basketball	522,991	315,973	12,739	826,225
Other	276,611	20,773	—	297,384
Total equipment	991,301	336,746	16,834	1,311,213
Total	53,670,062	15,531,964	16,834	69,185,192
<i>Less accumulated depreciation:</i>				
Buildings	20,360,332	1,650,902	—	22,011,234
Land improvements	1,633,652	117,572	—	1,751,224
Infrastructure	166,039	20,631	—	186,670
Equipment	794,187	53,357	16,310	831,234
Total	22,954,210	1,842,462	16,310	24,780,362
Capital assets, net	<u>\$ 30,715,852</u>	<u>\$ 13,689,502</u>	<u>\$ 524</u>	<u>\$ 44,404,830</u>

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. Approximately 66.50% (61.15% for fiscal year 2010) 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, 2011:

General Revenue Bonds	Interest Rate	Fiscal Year Maturity	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011	Current Portion
Series 2009A:							
Series Bonds	4.00-5.00%	2012-2027	\$21,456,225	\$ -	\$831,250	\$20,624,975	\$864,500
Unamortized Premium			1,858,675	-	114,380	1,744,295	114,380
Total			\$23,314,900	\$ -	\$945,630	\$22,369,270	\$978,880

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, 2011 rates) amounts due in each of the succeeding 5 years ending June 30 and thereafter are as follows:

	Principal	Interest	Total
2012	\$ 864,500	\$ 992,346	\$ 1,856,846
2013	907,725	948,041	1,855,766
2014	950,950	901,574	1,852,524
2015	1,004,150	852,696	1,856,846
2016	1,054,025	801,242	1,855,267
2017-2021	6,151,250	3,135,641	9,286,891
2022-2026	7,880,250	1,398,828	9,279,078
2027	1,812,125	45,303	1,857,428
	<u>20,624,975</u>	<u>\$ 9,075,671</u>	<u>\$ 29,700,646</u>
Unamortized Premium	<u>1,744,295</u>		
Total	<u>\$ 22,369,270</u>		