

Missouri State University

Independent Accountant's Report on Applying Agreed-Upon Procedures

June 30, 2018

Independent Accountant's Report on Applying Agreed-Upon Procedures

Clifton Smart, III, President and the Board of Governors
Missouri State University
Springfield, Missouri

We have performed the procedures enumerated below, which were agreed to by Missouri State University (the "University"), on whether the accompanying statement of revenues and expenses of the University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15.1 for the year ended June 30, 2018, and completed procedures prescribed in the NCAA Agreed-Upon Procedures Guidelines. The managements of Missouri State University and Missouri State University Foundation (the "Foundation") are responsible for their compliance with these regulations and the related financial statement elements, accounts and items. The sufficiency of the procedures is solely the responsibility of the parties specified in this 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.

The findings obtained are described below:

We obtained the Statement, as prepared by the management of the University. We noted that the statement consisted of amounts from the University's general ledger and the general ledger of the Missouri State University Foundation (the "Foundation") aggregated by management to include items in the Statement as required under Bylaw 3.2.4.15.1. We obtained a reconciliation of the Statement from management of the University which reconciled the activity recorded in the Statement to the activity included in the University's audit of Intercollegiate Athletics Program Accounts included in the audited financial statements. We inquired with the management of the Foundation who indicated that the amounts included from the Foundation agreed to the amounts provided which were included in the audited financial statements of the Foundation. We obtained a copy of the Foundation's audited financial statements.

For revenue and expense categories, we performed the following:

1. We compared the amount of each operating revenue and expense category reported in the Statement during the year ended June 30, 2018, to supporting schedules provided by the administration of the University, noting that they agreed without exception. We recalculated the totals per the supporting schedules, without exception. The following revenue reporting categories were less than 4.0 percent of total revenues and the following expense categories were less than 4.0 percent of total expenses and, therefore, as prescribed in the NCAA Agreed-Upon Procedures Guidelines, no procedures were performed for these categories:

Revenues

- a. Ticket Sales
- b. Guarantees
- c. In-kind contributions
- d. NCAA distributions
- e. Conference distributions
- f. Program sales, concessions, novelty sales and parking
- g. Royalties, licensing, advertising and sponsorships
- h. Athletics restricted endowment and investment income

Expenses

- a. Guarantees
- b. Severance payments
- c. Recruiting
- d. Equipment, uniforms and supplies
- e. Game expenses
- f. Fundraising, marketing and promotion
- g. Spirit groups
- h. Medical expenses and insurance
- i. Memberships and dues
- j. Student-athlete meals (nontravel)

2. We inquired of the University's management whether there were any of the following revenues, expenses or other reporting items during the year ended June 30, 2018, and University management replied that there were none:

Revenues

- a. Direct state or other government support
- b. Compensation and benefits paid by a third party
- c. Media rights
- d. Sports camps revenues
- e. Bowl revenues

Expenses

- a. Coaching other compensation paid by a third party
- b. Support staff/administrative other compensation paid by a third party
- c. Sports camp expenses
- d. Indirect institutional support
- e. Bowl expenses
- f. Excess transfers to Institution and conference realignment expenses
- g. Direct overhead and administrative expenses

Other Reporting Items

- a. Transfers back to Institution
3. We compared each revenue and expense amount greater than 10 percent of the total to prior year amounts and inquired of University management regarding individual changes greater than 10 percent from prior year amounts. We noted no variances greater than 10 percent from prior year.
 4. Per inquiry of University personnel the athletic department is not budgeted to the level of the statement thus comparison of each major revenue and expense account over \$1 million and/or percent of total revenues and expenses to budget estimates was not performed.

Revenues

5. *Student Fees* – We compared and agreed student fees reported by the Institution in the Statement to the reporting of student enrollments during the same reporting period.

We obtained and documented an understanding of the Institution's methodology for allocating student fees to intercollegiate athletics programs.

We recalculated student fee totals and agreed to the Statement, without exception.

6. *Direct Institutional Support* – We compared the direct institutional support recorded by the Institution during the year ended June 30, 2018, with institutional authorizations and corroborative supporting documentation, without exception.

We recalculated direct institutional support and agreed to the Statement, without exception.

7. *Indirect Institutional Support* – We compared the indirect institutional support recorded by the Institution during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation, without exception.

We recalculated totals, without exception.

8. *Contributions* – We compared the supporting schedule of contributions of moneys, goods or services received directly by the University Athletics Department to contributions per the Statement and recalculated the total without exception. We selected a sample of all single contributions that constituted 10 percent or more of all contributions received during the year ended June 30, 2018, and compared them to supporting documentation, noting that they agreed without exception.

9. *Other Operating Revenue* – We obtained a supporting schedule for other operating revenue reported in the Statement and recalculated the total noting that it agreed to the Statement without exception. We selected a sample of three other operating revenue transactions and compared them to supporting documentation, noting that they agreed without exception.

Operating Expenses

10. *Athletic Student Aid* – The University uses the NCAA's compliance assistant (CA) software to prepare athletic aid detail, therefore, we selected a sample of 40 of the total student athletes from the listing of University student aid recipients captured from a squad list by sport. We recalculated total student aid provided for each sport and overall.

We obtained individual student account detail per the Institution for each selection and compared to the student's detail in the CA software. Management indicated that University has opted to report "average aid" in the CA software as opposed to "actual aid" for students who receive a full scholarship, therefore, for 23 of the student-athletes selected, the aid provided by the institution was agreed to the "2017-2018 Undergraduate Costs Report" for resident and nonresident students provided by the University Athletics Compliance department. Amounts reported in the CA software agreed to the individual student account detail or the "2017-2018 Undergraduate Costs Report", with the following exceptions. For one student we noted the student-athlete's financial aid total was changed subsequent to initial reporting in the CA software that were not subsequently updated in the CA software.

We compared the following details to the information recorded in the NCAA's CA software (where applicable) for each of the 40 students selected in the sample:

- a. The equivalency value for each student-athlete was converted to a full-time equivalency value without exception.
- b. Grants-in-aid is calculated by using the revenue distribution equivalencies by sport and in value without exception.
- c. Other expenses related to attendance were not included in grant-in-aid revenue distribution equivalencies.
- d. The full grant amount was the full cost of tuition for an academic year, not semester or quarter.
- e. Student-athletes had been counted only once and did not receive a revenue distribution equivalency greater than 1.00 with the following exceptions. Five students were shown as receiving aid in multiple sports, this was caused by a selection in the CA software not being selected. These were subsequently corrected by management during testing.
- f. Athletic aid was awarded only in sports in which the NCAA conducts championship competitions, emerging sports for women or football.
- g. All sports for which grants-in-aid were distributed met the minimum contest and participants' requirements of Bylaw 20.9.6.3.
- h. Student-athletes listed on the CDRE as "Exhausted Eligibility (fifth-year)" or "Medical" received credit in the grants-in-aid component.
- i. The athletics aid equivalency does not exceed maximum equivalency limits.
- j. Students receiving aid from athletics grants for a discontinued sport which is still being honored by the University are included in student-athlete aid for revenue distribution purposes.

- k. The equivalency calculation was rounded to two decimal places.
 - l. If the student received a Pell Grant, the value of the grant was not included in the total dollar amount of student athletic aid expense.
 - m. The University has not yet entered Pell Grants in the NCAA Membership Financial Reporting System as management indicated that the submission will be made in January 2019. Pell Grants awarded to student-athletes in the sample were agreed between the University's financial aid records to a University Athletics Department listing provided by Compliance, without exception. Management indicated that the list provided by Compliance is the information it will enter into the NCAA Membership Financial Reporting System.
11. *Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities* – We obtained a listing of coaches employed by the University during the year ended June 30, 2018. We selected a sample of three coaches' contracts that included football, men's basketball and women's basketball. We agreed the financial terms and conditions of each selection to the payroll summary registers for the reporting year provided by the University and recalculated totals for each selection, without exception. We also recalculated totals recorded in the Statement, without exception.
 12. *Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities* – We selected a sample of three athletic support staff/administrative personnel employed by the University. We obtained supporting salary information per the financial system for each selection and agreed the information to the payroll summary registers provided by the University and recalculated totals recorded in the Statement, without exception.
 13. *Team Travel* – We obtained and documented the University's team travel policies and compared them to the NCAA policies, noting no exceptions. We obtained supporting schedules for team travel expenses, recalculated totals and compared to the Statement without exception.
 14. *Athletic Facilities Debt Service, Lease and Rental Fees* – We obtained a listing of debt service schedules, lease payments and rental fees for athletics facilities for the year ended June 30, 2018, and recalculated totals without exception. We compared a sample of the three highest facilities payments to supporting documentation without exception.
 15. *Direct Institutional Support* – We obtained the supporting schedule for direct institutional support, recalculated totals and agreed to the Statement without exception.
 16. *Other Operating Expenses and Transfers to the Institution* – We obtained a schedule for all other operating expenses and agreed the listing to the Statement without exception. We selected a sample of three other operating schedules without exception.

Minimum Agreed-Upon Procedures – NCAA Membership Financial Reporting System

17. We compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the University, noting they agreed without exception.
18. We obtained the University's Sports Sponsorship and Demographics Forms Report for the year ended June 30, 2018, and agreed the countable sports reported by the University with the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum contest requirement. We noted the University has reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.
19. We obtained a listing from the University financial aid records of all student athletes' receiving Pell Grants during the year ended June 30, 2018, and agreed it to the listing of athletes receiving Pell Grants provided by compliance. As noted in *Item 10(m)* the University has not yet reported Pell Grants in the NCAA Membership Financial Reporting System as management indicated that the submission will be made in January 2019.

Minimum Agreed-Upon Procedures For Other Reporting Items

20. We obtained from management and recalculated repayment schedules and annual maturities for all outstanding intercollegiate debt identified by management during the reporting period. We agreed the total annual maturities and total outstanding athletic related debt to the University's general ledger.
21. We obtained a schedule of outstanding institutional debt from management and the University's audited financial statements. We agreed the schedule of outstanding institutional debt to the University's audited financial statements, without exception.
22. We obtained the detail of all athletics dedicated endowments and agreed the fair market value of the endowments to supporting documentation. The value of athletics dedicated endowments is included in the total value of the institutional endowments.
23. We obtained the detail of all institutional endowments and agreed the fair market value of the endowments to supporting documentation. We agreed the value of institutional endowments to the audited financial statements of the Missouri State University Foundation.
24. We obtained a schedule of capital expenditures for the University Athletics Department from management and recalculated totals without exception. We selected a sample of three items from the schedule and agreed to supporting documentation without exception.

Clifton Smart, III, President and the Board of Governors
Missouri State University
Page 8

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying University Athletics Department Statement of Revenues and Expenses for the year ended June 30, 2018, or the specified elements, accounts and items or internal control over financial reporting and compliance described above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

Springfield, Missouri
January 14, 2019

Missouri State University
Intercollegiate Athletics Department
Statement of Revenues and Expenses
Year Ended June 30, 2018

	Men's Program	Women's Program	Nongender	Support Services	Other Sources	Total
Operating Revenue						
Ticket sales	\$ 796,784	\$ 192,010	\$ -	\$ -	\$ -	\$ 988,794
Student fees	-	-	-	-	4,022,909	4,022,909
Guarantees	529,200	40,100	-	-	-	569,300
Program, novelty, parking and concession sales	217,618	72,346	-	-	-	289,964
MVC reimbursement	365,038	124,001	110,717	-	-	599,756
Royalties, licensing, advertisement and sponsorships	15,000	-	976,931	-	-	991,931
Other operating income	290,258	184,415	151,012	36,126	1,274,852	1,936,663
NCAA Revenue Distribution	534,969	483,435	-	-	-	1,018,404
Direct Institutional Support	6,127,020	4,483,524	575,748	864,632	-	12,050,924
Contributions	912,651	393,366	168,676	175,147	2,944,702	4,594,542
In-Kind Contributions	100,688	43,872	-	-	-	144,560
Athletics Restricted Endowment						
Investment Income	78,309	63,125	-	2,999	-	144,433
Total Revenues	<u>9,967,535</u>	<u>6,080,194</u>	<u>1,983,084</u>	<u>1,078,904</u>	<u>8,242,463</u>	<u>27,352,180</u>

Missouri State University
Intercollegiate Athletics Department
Statement of Revenues and Expenses
Year Ended June 30, 2018

	Men's Program	Women's Program	Nongender	Support Services	Other Sources	Total
Expenditures						
Athletic student aid	\$ 2,714,721	\$ 2,377,923	\$ -	\$ 22,375	\$ -	\$ 5,115,019
Guarantees	147,223	24,862	-	-	-	172,085
Coaches' salaries, benefits and bonuses paid by the University and related entities	2,753,609	1,808,071	-	-	-	4,561,680
Support staff/administrative compensation, benefits and bonuses paid by the University and related entities	432,380	282,153	1,342,445	898,963	-	2,955,941
Severance payments	380,490	-	-	-	-	380,490
Recruiting	328,229	130,336	-	-	-	458,565
Team travel	1,102,082	619,949	-	-	-	1,722,031
Sports equipment, uniforms and supplies	384,066	162,707	-	-	-	546,773
Game expenses	418,499	187,527	-	-	-	606,026
Fundraising, marketing and promotion	86,052	14,965	125,841	-	-	226,858
Medical expenses and insurance	311,250	198,996	-	-	-	510,246
Spirit groups	-	-	-	63,935	-	63,935
Membership and dues	33,118	7,420	26,615	4,252	-	71,405
Athletic facilities lease	221,831	23,203	-	-	5,935,734	6,180,768
Direct institutional support	-	-	-	-	2,306,729	2,306,729
Student-athlete meals (nontravel)	10,977	7,208	-	-	-	18,185
Other operating expenses	643,008	234,874	488,183	89,379	-	1,455,444
Total Expenditures	9,967,535	6,080,194	1,983,084	1,078,904	8,242,463	27,352,180
Excess (Deficiency) of						
Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Missouri State University
Intercollegiate Athletics Department
Notes to Statement of Revenues and Expenses
June 30, 2018

Note 1: NCAA Reporting Requirements

The accompanying Statement of Revenues and Expenses (the “Statement”) has been prepared on the accrual basis of accounting and is presented in a manner which intends to report all activity of the Missouri State University (the “University”) Athletics Department, including activity reported by the Missouri State University Foundation (the “Foundation”) related to intercollegiate athletics. Unrestricted revenues are recorded when earned and expenditures are recorded when incurred. Restricted revenues are reported when expended rather than when received. The revenues and expenditures have been classified on a basis consistent with the account structure of the University.

The National Collegiate Athletic Association (NCAA) mandates the financial reporting timeline to specify agreed-upon procedures and related reporting requirements. The primary purpose of the agreed-upon procedures report is to ensure that the president of the University is made aware of all financial activity (both internal and external) for athletics purposes and to assist the Institution in exercising control over financial activity made by or on behalf of the intercollegiate athletics program.

Note 2: Capital Assets

Land is stated at cost. Buildings and improvements are stated at June 30, 1953, replacement costs with subsequent additions stated at cost. Library books are stated at June 30, 1978, estimated historical cost, with subsequent additions stated at cost.

Building additions and improvements with a cost in excess of \$200,000 are capitalized if the life of the building is extended. Equipment with a cost in excess of \$5,000 with a useful life greater than one year is capitalized. Donated assets are transferred from the Missouri State University Foundation and are recorded at the fair value at the date of donation to the Foundation. Infrastructure assets are included in the financial statements and are depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. Expenditures for construction in progress are capitalized when the project is completed. The following estimated useful lives are being used by the University:

Capital Assets

Land improvements	20 years
Buildings and improvements	7 – 40 years
Furniture, fixtures and equipment	3 – 15 years
Infrastructure	20 years
Library materials	10 years

Missouri State University
Intercollegiate Athletics Department
Notes to Statement of Revenues and Expenses
June 30, 2018

The University capitalizes interest costs as a component of construction in progress, based in either the weighted average rates paid for long-term borrowing or the rates associated with specific debt. Interest expense is capitalized net of interest income earned on resources set aside for this purpose.

All University property is to be disposed of through the Property Control Office, with the exception of selected agricultural items. Items no longer needed by the University are either sold at public auction or by sealed bid.

Note 3: Affiliated Organizations

The Missouri State University Foundation (Foundation) is a related entity of the University. The Foundation conducts fundraising activities that support the University.

Note 4: Long-Term Debt

The scheduled maturities of the revenue bonds and leases are as follows as of June 30, 2018:

	JQH	Athletic Fields	Total
2019	\$ 3,861,131	\$ 1,951,916	\$ 5,813,047
2020	3,868,331	1,957,307	5,825,638
2021	3,865,731	1,954,604	5,820,335
2022	3,861,231	1,952,521	5,813,752
2023	3,860,731	1,952,418	5,813,149
Thereafter	22,952,845	10,536,090	33,488,935
	<u>\$42,270,000</u>	<u>\$20,304,856</u>	<u>\$ 62,574,856</u>