

Missouri State University

Independent Accountant's Report on Applying Agreed-Upon Procedures

June 30, 2017

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, 2017, 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, 2017, 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% of total revenues and the following expense categories were less than 4.0% 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. Contributions in-kind
- d. Compensation from third parties
- e. NCAA distributions
- f. Conference distributions
- g. Program sales, concessions, novelty sales and parking
- h. Royalties, licensing, advertising and sponsorships
- i. Endowment and investment income

Expenses

- a. Guarantees
- b. Coaching other compensation paid by a third party
- c. Severance payments
- d. Recruiting
- e. Sports equipment, uniforms and supplies
- f. Game expenses
- g. Fundraising, marketing and promotion
- h. Spirit groups
- i. Indirect institutional support
- j. Medical expenses and insurance
- k. Memberships and dues
- l. 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, 2017, and University management replied that there were none:

Revenues

- a. Direct state or other government support
- b. Media rights
- c. Sports camps revenues
- d. Bowl revenues

Expenses

- a. Support staff/administrative other compensation paid by a third party
- b. Sports camp expenses
- c. Bowl expenses
- d. Conference realignment expenses
- e. Direct overhead and administrative expenses

Other Reporting Items

- a. Transfers back to the University
3. We compared each revenue and expense amount to prior year amounts and inquired of University management regarding individual changes greater than 10% from prior year amounts. We noted no variances greater than 10% of PY.
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 % 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, 2017, 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% or more of all contributions received during the year ended June 30, 2017, 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 nine of the student-athletes selected, the aid provided by the institution was agreed to the "2016-2017 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 "2016-2017 Undergraduate Costs Report", with the following exceptions. For three students we noted the student-athlete's financial aid total was changed subsequent to initial reporting in the CA software that were not subsequent 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. Each student was only included in one sport with the following exception. One student was shown as receiving aid in two sports, this was caused by a selection in the CA software not being selected. This was subsequently corrected by management during testing.
- c. The equivalency calculation was rounded to two decimal places.
- d. The grant amount was the full cost of tuition for an academic year, not semester.
- e. The sport had not been discontinued.
- f. No student-athletes selected had exhausted their athletics eligibility.
- g. Athletic aid was awarded only in sports in which the NCAA conducts championship competitions, emerging sports for women or football.
- h. 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.
- i. 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 2018. 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, 2017. 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, 2017, 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* – 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, 2017, 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, 2017, and agreed it to the listing of athletes receiving Pell Grants provided by compliance. As noted in *Item 11(i)* 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 2018.

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. The University Athletics Department was unable to provide information regarding the value of athletics dedicated endowments and institutional endowments maintained by the University Athletics Department, the University and the Foundation.
23. 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.

Minimum Agreed-Upon Procedures For Internal Controls

24. We inquired with the Chief Financial Officer who reviewed the Statement, who indicated he was not aware of any internal control deficiencies in the University Athletics Department.
25. We reviewed the "User Balance by User" report for one ticket office employee for November 19, 2017. The reports were signed by the employee and by the employee's supervisor.
26. We inquired with Chief Financial Officer to determine if the University Athletics Department can disburse funds outside of the University's normal procurement process. Management indicated that the University Athletics Department does not have separate access to checks and has no signing authority.

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, 2017, 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.

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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 12, 2018

Missouri State University
Intercollegiate Athletics Department
Statement of Revenues and Expenses
Year Ended June 30, 2017

	Men's Program	Women's Program	Nongender	Support Services	Other Sources	Total
Operating Revenue						
Ticket sales	\$ 841,049	\$ 195,126	\$ -	\$ -	\$ -	\$ 1,036,175
Student fees	-	-	-	-	4,052,562	4,052,562
Guarantees	502,000	35,500	-	-	-	537,500
Program, novelty, parking and concession sales	181,456	57,082	-	-	-	238,538
MVC reimbursement	297,511	110,329	207,206	-	-	615,046
Royalties, licensing, advertisement and sponsorships	15,000	-	517,174	-	-	532,174
Third-party compensation	30,000	-	-	-	-	30,000
Other operating income	222,601	133,383	55,780	56,629	715,352	1,183,745
NCAA Revenue Distribution	457,308	421,440	-	-	-	878,748
Direct Institutional Support	5,607,670	4,523,580	1,168,179	930,588	-	12,230,017
Indirect Institutional Support	-	-	-	-	239,062	239,062
Contributions	795,568	598,424	51,714	708	2,962,126	4,408,540
In-Kind Contributions	111,845	62,231	-	-	-	174,076
Athletics Restricted Endowment						
Investment Income	159,486	56,031	-	2,954	-	218,471
Total Revenues	<u>9,221,494</u>	<u>6,193,126</u>	<u>2,000,053</u>	<u>990,879</u>	<u>7,969,102</u>	<u>26,374,654</u>

Missouri State University
Intercollegiate Athletics Department
Statement of Revenues and Expenses
Year Ended June 30, 2017

	Men's Program	Women's Program	Nongender	Support Services	Other Sources	Total
Expenditures						
Athletic student aid	\$ 2,587,971	\$ 2,480,830	\$ -	\$ 18,500	\$ -	\$ 5,087,301
Guarantees	360,066	(13,297)	(327)	-	-	346,442
Coaches' salaries, benefits and bonuses paid by the University and related entities	2,592,683	1,793,132	-	-	-	4,385,815
Coaches' salaries, benefits and bonuses paid by a third party	30,000	-	-	-	-	30,000
Support staff/administrative compensation, benefits and bonuses paid by the University and related entities	419,334	266,181	1,297,430	840,874	-	2,823,819
Severance payments	-	6,337	-	-	-	6,337
Recruiting	336,725	147,208	-	-	-	483,933
Team travel	1,017,286	698,533	-	-	-	1,715,819
Sports equipment, uniforms and supplies	410,395	195,814	-	-	-	606,209
Game expenses	435,079	189,646	-	-	-	624,725
Fundraising	33,609	2,910	65,671	-	-	102,190
Medical expenses and insurance	297,499	190,204	-	-	-	487,703
Spirit group	-	-	-	43,872	-	43,872
Membership and dues	57,509	19,285	120	3,478	-	80,392
Athletic facilities lease	201,757	11,660	-	-	5,976,492	6,189,909
Direct institutional support	-	-	-	-	1,753,548	1,753,548
Indirect institutional support	-	-	-	-	239,062	239,062
Student-athlete meals (nontravel)	9,686	9,159	-	-	-	18,845
Other operating expenses	431,895	195,524	637,159	84,155	-	1,348,733
Total Expenditures	9,221,494	6,193,126	2,000,053	990,879	7,969,102	26,374,654
Excess (Deficiency) of						
Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Missouri State University
Intercollegiate Athletics Department
Notes to Statement of Revenues and Expenses
June 30, 2017

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:

Missouri State University
Intercollegiate Athletics Department
Notes to Statement of Revenues and Expenses
June 30, 2017

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

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, 2017:

	JQH	PSC/HSC	Athletic Fields	Total
2018	\$ 3,860,331	\$ 563,549	\$ 1,535,726	\$ 5,959,606
2019	3,861,131	-	2,041,995	5,903,126
2020	3,868,331	-	2,045,760	5,914,091
2021	3,865,731	-	2,042,860	5,908,591
2022	3,861,231	-	2,044,135	5,905,366
Thereafter	25,183,245	-	11,904,524	37,087,769
	<u>\$44,500,000</u>	<u>\$ 563,549</u>	<u>\$21,615,000</u>	<u>\$ 66,678,549</u>