

Missouri State University Intercollegiate Athletics Department

**Independent Accountant's Report on Application of
Agreed-Upon Procedures**

June 30, 2014

Independent Accountant's Report on Application of Agreed-Upon Procedures

Clifton Smart, III, President
Missouri State University
Springfield, Missouri

We have performed the procedures enumerated below, which were agreed to by Missouri State University (the "University"), solely to assist the University in complying with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the year ended June 30, 2014. The managements of Missouri State University and Missouri State University Foundation are responsible for their aforementioned financial statement elements, accounts and items and internal control over financial reporting and compliance. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 for the purpose for which this report has been requested or for any other purpose.

The procedures that were performed and our findings are as follows:

Statement of Revenues and Expenditures

1. We obtained the Statement of Revenues and Expenditures (Statement) of the Intercollegiate Athletics Department for the year ended June 30, 2014, as prepared by management. We inquired of University management who represented that the Missouri State University Foundation (Foundation) is the only independent foundation that maintains grant-in-aid or scholarship funds, gifts, other income and endowments to be utilized in part by the University's Intercollegiate Athletics Program. We recalculated the addition of the amounts on the Statement, compared the amounts on the Statement to management's worksheets and compared the amounts on managements' worksheets to the general ledgers for the University and the Foundation, noting no differences exceeding \$5,000.
2. We inquired of University management who represented that there are no outside intercollegiate athletics-related booster organizations that contribute directly to the University and the Foundation.
3. We obtained the Foundation's audited financial statements and management letter as of and for the year ended June 30, 2014. We read the reports for recommended improvements in internal control over financial reporting. There were no significant deficiencies in the Foundation's internal control over financial reporting identified in the Foundation's management letter.
4. We requested a list of contributions (cash, goods or services) received by the University and the Foundation for the University's Intercollegiate Athletics Program and noted there were no individual contributions received that constituted more than 10% of all such contributions received in the Statement.

5. For each athletic activity within the University's Department of Athletics, we compared actual net expenses (revenues less expenses) to budget for the year ended June 30, 2014. There were no variances greater than 15% of total net expenses.
6. For each athletic activity within the University's Department of Athletics, we compared 2014 actual revenues and expenses to prior year revenues and expenses. There were no variances greater than 15% of total revenues or 15% of total expenses.
7. We compared and agreed each operating revenue category reported in the Statement for the year ended June 30, 2014, to supporting schedules provided by the University, noting no differences exceeding \$5,000.
8. We compared and agreed operating revenue receipts that exceeded \$100,000 obtained from the operating revenue supporting schedules to supporting documentation, without exception.
9. We compared and agreed each operating expense category reported in the Statement for the year ended June 30, 2014, to supporting schedules provided by the University.

Internal Control Structure Policies and Procedures

10. We obtained from the University's management, a description of the University's procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the University's Intercollegiate Athletics Program.
11. We obtained from University management a description of aspects of the University's internal control structure unique to the Intercollegiate Athletics Department, such as ticket sales and receipts and athletic department expenses. Additionally, we discussed the University's budgetary controls over expenditures relating to intercollegiate athletics.

Ticket Sales

12. We calculated the average ticket price per the Ticket Sales Final Reports and compared to the individual ticket prices. We recalculated ticket sales revenue based on actual individual ticket prices and quantity provided by management and agreed the revenue per the Ticket Sales Final Reports to the related revenue reported by the University in the Statement, noting no differences exceeding \$5,000.
13. We compared ticket sales recorded in the statement of current funds, revenues and expenses of the Intercollegiate Athletics Department to detail schedules of ticket sales, complimentary tickets, marketing contracts and interdepartment transfers obtained from the University's ticket office for men's basketball and men's football, without exception.

Away Games Sales and Guarantee Income

Per inquiry of University personnel, there were no away game settlement reports received during the fiscal year, thus Step 14 was not performed.

14. For two settlement reports for football away games, two settlement reports for men's and women's basketball away games during the year ended June 30, 2014, we will compare each selection to the University's recording in the general ledger.
15. We compared one football and one men's basketball contractual agreement pertaining to revenues derived from guaranteed contests during the year ended June 30, 2014, to the University's recording in the general ledger. Agreements were obtained for the following contests:
 - a. Football – University of Iowa
 - b. Basketball – University of Louisville

Third-Party Support

16. We obtained the summary of amounts provided by a third party for coaching and support staff – other compensation (Summary) as of June 30, 2014, from the University's management, noting the following three coaches were paid by Nelligan Sports Marketing, Inc./Learfield Communications, Inc. for coaches' television shows:

a.	Terry Allen – Head Football Coach	\$22,500
b.	Kellie Harper – Head Women's Basketball Coach	\$30,000
c.	Paul Lusk – Head Men's Basketball Coach	\$30,000
17. We compared the amounts on the Summary to the University's Statement for agreement to expenses reported as coaching and support staff – other compensation on the NCAA online report.
18. We recalculated the totals on the Summary, noting no difference exceeding \$5,000.
19. Per inquiry of management, the third party was not audited by independent auditors, thus no report was obtained.

Direct State or Other Governmental Support

Per inquiry of University personnel, there was no direct state or other governmental support during the fiscal year, thus Steps 20 and 21 were not performed.

20. We will compare direct state or other governmental support recorded by the University for the year ended June 30, 2014, with state appropriations, institutional authorizations and/or other corroborative supporting documentation.
21. We will recalculate the totals of the detail of direct state or other governmental support and compare the recalculated total to the Statement and report as findings any differences exceeding \$5,000.

Direct Institutional Support

22. We compared the direct institutional support recorded by the University during the year ended June 30, 2014, with institutional authorizations and corroborative supporting documentation, without exception.
23. We recalculated the totals of the detail of direct institutional support and compared the recalculated total to the Statement, noting no differences exceeding \$5,000.

NCAA/Conference Distributions Including All Tournament Revenues

Per inquiry of University personnel, there were no agreements related to the University's participation in revenues from tournaments during the fiscal year, thus Step 24 was not performed.

24. We will obtain agreements related to the University's participation in revenues from tournaments during the year ended June 30, 2014, to gain an understanding of the relevant terms and conditions.
25. We compared the detail of the NCAA/Conference distribution revenues for the year ended June 30, 2014, to the University's general ledger, without exception.
26. We recalculated the totals of the detail of the NCAA/Conference distribution revenues and compared the recalculated total to the Statement, noting no differences exceeding \$5,000.

Broadcast, Television, Radio and Internet Rights

27. We obtained the agreement related to the University's participation in revenues from broadcast, television, radio and internet rights to gain an understanding of the relevant terms and conditions. Agreements were obtained for the following companies:
 - a. CBS Interactive, Inc.
 - b. Meyer Communications, Inc.
 - c. KY3
 - d. Mediacom
28. We compared broadcast, television, radio and internet rights revenues to the University's general ledger, without exception.
29. We recalculated the totals of the detail of broadcast, television, radio and internet revenues and compared the recalculated total to the Statement, noting no differences exceeding \$5,000.

Royalties, Advertisements and Sponsorships

30. We obtained the only two agreements related to the University's participation in revenues from royalties, advertisements and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions. Agreements were obtained for the following companies:
 - a. The Collegiate Licensing Company
 - b. Nelligan Sports Marketing, Inc./Learfield Communications, Inc.
31. We compared the royalties, advertisements and sponsorships revenues to the University's general ledger, without exception.
32. We recalculated the totals of the detail of royalties, advertisements and sponsorships and compared the recalculated total to the Statement, noting no differences exceeding \$5,000.

Sports-Camp Revenues

Per inquiry of University personnel, there were no sports-camps conducted through the University during the fiscal year, thus Steps 33-36 were not performed.

33. We will obtain three sports-camp contracts between the University and person conducting the institutional sports-camp or clinic during the year ended June 30, 2014, to obtain an understanding of the University's methodology for recording revenues from sports-camps.
34. We will obtain schedules of camp participants for the three sports-camps selected for the year ended June 30, 2014.
35. For a sample of three individual camp participant cash receipts from the schedule of sports-camp participants, we will compare each selection to the University's general ledger.
36. We will recalculate the totals of the detail of sports-camp revenues and compare the recalculated total to the Statement and report as findings any differences exceeding \$5,000.

Endowment and Investment Income

37. We obtained five endowment agreements to gain an understanding of the relevant terms and conditions. Agreements were requested for the following endowments:
 - a. Foster M. Latimer Memorial Men's Basketball Fund
 - b. Noel Boyd Endowed Basketball Scholarship Fund
 - c. Robert Anthony Foster Soccer Scholarship Fund

- d. FM & RF McQueary Women's Basketball Scholarship Fund
- e. NAIA Basketball Champions 1952 & 1953

The University's Foundation was not able to provide a copy of the endowment agreements for items d and e.

- 38. We compared the classification and use of endowment and investment income reported in the Statement during the year ended June 30, 2014, to the uses of income defined within the three related endowment agreements that were provided in Step 37, without exception.
- 39. We added the totals of the detail of endowment and investment income and compared the total to the Statement, noting no differences exceeding \$5,000.

Athletic Student Aid

- 40. For ten students from the listing of institutional student aid recipients during the year ended June 30, 2014, we obtained the individual student account detail for each selection and compared total aid allocated from the award maintenance screen to the student's account detail, without exception.
- 41. We recalculated the totals of the detail of athletic student aid and compared it to the total per the Statement, noting no differences exceeding \$5,000.

Guarantee Expense

Per inquiry of University personnel, there were no away game settlement reports received during the fiscal year, thus Step 42 was not performed.

- 42. We will obtain away game settlement reports received by the University during the year ended June 30, 2014, and agree related expenses to the University's general ledger.
- 43. We obtained two contractual agreements pertaining to expenses recorded by the University from guaranteed contests during the year ended June 30, 2014. Agreements were obtained for the following contests:
 - a. Men's Basketball – Basketball Promotions & Events, LLC
 - b. Men's Basketball – Grambling State University
- 44. We compared the related amounts expensed by the University during the year ended June 30, 2014, to the University's general ledger, without exception.
- 45. We recalculated the totals of the detail of guarantee expense and compared the recalculated totals to the Statement, noting no differences exceeding \$5,000.

Coaching Salaries, Benefits and Bonuses Paid by the Institution and Related Entities

46. We obtained a listing of all coaches employed by the University and related entities, if applicable, during the year ended June 30, 2014.
47. For three coaches' contracts, including football and men's and women's basketball, we compared the financial terms and conditions of each selection to the related coaching salaries, benefits and bonuses recorded by the University and related entities in the Statement during the year ended June 30, 2014, without exception. Contracts were obtained for the following coaches:
 - a. Terry Allen - Head Football Coach
 - b. Paul Lusk - Head Men's Basketball Coach
 - c. Kellie Harper - Head Women's Basketball Coach
48. We obtained W-2s, 1099s, etc., for each selection and we compared related W-2s, 1099s, etc., to the related coaching salaries, benefits and bonuses paid by the University and related entities expense recorded by the University in the Statement during the year ended June 30, 2014, without exception.
49. We recalculated the totals of the detail of coaching salaries, benefits and bonuses and compared the recalculated totals to the Statement, noting no differences exceeding \$5,000.

Coaching Other Compensation and Benefits Paid by a Third Party

50. We obtained a listing of coaches employed by third parties during the year ended June 30, 2014. We compared the financial terms and conditions of each selection to the related coaching and other compensation and benefits paid by a third party and recorded by the University in the Statement during the year ended June 30, 2014. The coaches were paid directly by the third parties, thus there was nothing recorded in the Statement and Steps 51 and 52 were not performed.

Contracts were obtained for the following coaches:

- a. Terry Allen - Head Football Coach
 - b. Paul Lusk - Head Men's Basketball Coach
 - c. Kellie Harper - Head Women's Basketball Coach
51. We will obtain W-2s, 1099s, etc., for each selection and we will compare related W-2s, 1099s, etc., to the coaching and other compensation and benefits paid by a third-party expenses recorded by the University in the Statement during the year ended June 30, 2014.
 52. We will recalculate the totals of coaching and other compensation and benefits paid by a third party and compare the recalculated totals to the Statement, and report as findings differences exceeding \$5,000.

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

53. For five support staff/administrative personnel employed by the University and related entities during the year ended June 30, 2014, we obtained the W-2s, 1099s, etc., for this selection and we compared related W-2s, 1099s, etc., to the related support staff/administrative salaries, benefits and bonuses paid by the University and related entities expense recorded by the University in the Statement during the year ended June 30, 2014, without exception. W-2s were obtained for the following support staff/administrative personnel:
- a. Brenda Espy
 - b. Chastity Hunt
 - c. Deborah O'Neal
 - d. Rhett Caviel
 - e. Rebecca Grant
54. We recalculated the totals of the detail of support staff/administrative salaries, benefits and bonuses expense and compared the recalculated total to the Statement, noting no differences exceeding \$5,000.

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

Per inquiry of University personnel, there were no support staff/administrative personnel paid by third parties during the fiscal year, thus Steps 55 and 56 were not performed.

55. For three support staff/administrative personnel employed by third parties during the year ended June 30, 2014, we will obtain W-2s, 1099s, etc., for each selection and compare related W-2s, 1099s, etc., to the related support staff/administrative other compensation and benefits expense recorded by the University in the Statement during the year ended June 30, 2014.
56. We will recalculate the totals of the detail of support staff/administrative other compensation and benefits paid by a third party and compare the recalculated total to the Statement and report as findings any differences exceeding \$5,000.

Severance Payment

Per inquiry of University personnel, there were no severance payments made to athletic employees during the fiscal year, thus Steps 57 and 58 were not performed.

57. For two athletics employees, if any, receiving severance payments by the University during the year ended June 30, 2014, we will agree each severance payment to the related termination letter or employment contract.
58. We will recalculate the totals of the detail of severance payments and compare the recalculated totals to the Statement and report as findings any differences exceeding \$5,000.

Recruiting

59. We obtained and documented an understanding of the University's recruiting expense policies.
60. We inquired if there had been any change in the University's NCAA related recruiting expense policies and no such change was identified.

Team Travel

61. We obtained and documented an understanding of the University's team travel expense policies.
62. We inquired if there had been any change in the University's NCAA-related team travel expense policies and no such change was identified.

Capitalized Asset Additions and Improvements of Facilities

63. We obtained a schedule of total intercollegiate athletics capitalized assets, additions and improvements of facilities summarized by type and compared the total per the schedule to the total per the University's general ledger, noting no differences exceeding \$5,000.
64. We obtained a description of the University's policies and procedures for acquiring, approving, depreciating and disposing of intercollegiate athletics-related assets and included in the notes to the Statement.
65. For all capitalized additions greater than 10% of total capital additions, we compared the total recorded cost of each selection to supporting documentation, noting no differences exceeding \$5,000.

Additional Procedures

66. For five Department of Athletics cash disbursements selected by the University's management during the year, we compared such cash disbursements to related purchase orders, vendor invoices, receiving reports and canceled checks. We compared purchase orders and vendor invoices to receiving reports, noting agreement of delivery date, vendor name, description of goods, quantity and approval for payment. We read purchase orders for indication of approval, compared vendor invoices to canceled checks to note agreement of vendor names and amounts, compared check signers with a list of authorized signers, noted if invoices were canceled, compared the nature of the expenditure with the account codes, inquired if bid or price contracts were properly let and awarded, if applicable, and noted whether authorization numbers were written on each purchase order. Supporting documentation was obtained for the following cash disbursements, without exception:
 - a. Check #606749
 - b. Check #594320
 - c. Check #586553
 - d. Check #589926
 - e. Check #583570

Clifton Smart, III, President
Missouri State University
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We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying University Intercollegiate Athletics Department Statement of Revenues and Expenditures for the year ended June 30, 2014, 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. 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 Missouri State University and the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

January 14, 2015

Missouri State University
Intercollegiate Athletics Department
Statement of Revenues and Expenditures
Year Ended June 30, 2014

	Men's Program	Women's Program	Nongender	Support Services	Other Sources	Total
Operating Revenue						
Ticket sales	\$ 986,799	\$ 265,245	\$ -	\$ -	\$ -	\$ 1,252,044
Guarantees	580,000	22,038	-	-	-	602,038
Concessions, net	159,026	54,747	-	-	-	213,773
Licensing and royalties revenue	-	-	94,767	-	-	94,767
Miscellaneous	1,006	13,867	17,954	60,867	-	93,694
MVC reimbursement	12,882	1,849	25,000	-	-	39,731
Sports sponsorships	15,000	-	51,706	-	-	66,706
Third-party compensation	52,500	30,000	-	-	-	82,500
NCAA Revenue						
Distribution	416,813	400,304	-	-	-	817,117
Direct Institutional Support	3,715,593	3,818,486	1,611,887	409,891	(590,327)	8,965,530
Gifts – Restricted	898,695	547,238	41,555	320,654	-	1,808,142
Endowment						
Investment Income	187,445	78,880	-	2,266	-	268,591
Other Income	58,425	49,350	102,432	-	-	210,207
Institution Support						
Vending, net	-	-	-	-	590,327	590,327
Total Revenues	<u>7,084,184</u>	<u>5,282,004</u>	<u>1,945,301</u>	<u>793,678</u>	<u>-</u>	<u>15,105,167</u>

Missouri State University
Intercollegiate Athletics Department
Statement of Revenues and Expenditures
Year Ended June 30, 2014

	Men's Program	Women's Program	Nongender	Support Services	Other Sources	Total
Expenditures						
Coaches' salaries	\$ 2,075,738	\$ 1,491,077	\$ 14,645	\$ -	\$ -	\$ 3,581,460
Other salaries	317,319	266,162	1,457,370	574,018	-	2,614,869
Travel	1,062,949	856,196	22,326	36,160	-	1,977,631
Supplies	451,283	291,387	61,206	24,736	-	828,612
Services	284,083	187,339	93,794	105,449	-	670,665
Other expenses	489,185	180,600	295,960	35,265	-	1,001,010
Scholarships and grants	1,925,564	1,835,301	-	18,050	-	3,778,915
Fundraising	28,155	1,353	-	-	-	29,508
Insurance	205,178	131,179	-	-	-	336,357
Guarantees	244,730	41,410	-	-	-	286,140
Total Expenditures	7,084,184	5,282,004	1,945,301	793,678	-	15,105,167
Excess (Deficiency) of						
Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Missouri State University
Intercollegiate Athletics Department
Notes to Statement of Revenues and Expenditures
Year Ended June 30, 2014

Note 1: NCAA Reporting Requirements

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:

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 on 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.