

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 24
DATE: January 18, 2005

RECOMMENDATION

**FISCAL 2004 EMU INTERCOLLEGIATE ATHLETICS PROGRAM
AGREED-UPON PROCEDURES**

ACTION REQUESTED

It is recommended that the Board of Regents receive, approve and place on file the fiscal 2004 Intercollegiate Athletics Program Report on Agreed-Upon Procedures.

STAFF SUMMARY

PricewaterhouseCoopers performs agreed upon procedures, which are agreed to by management of Eastern Michigan University, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 (i.e. *Audit Schedule. The audit report for one fiscal year shall be completed and presented to the chief executive officer prior to the end of the institution's next fiscal year*) in connection with activities of the intercollegiate athletics program. The agreed-upon procedures are as defined by the NCAA Bylaws.

No findings were noted.

FISCAL IMPLICATIONS

None.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board approval.

University Executive Officer

Date

Eastern Michigan University Intercollegiate Athletics Program

**Agreed-Upon Procedures
June 30, 2004**

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Report of Independent Auditors on the
Application of Agreed-Upon Procedures

To the Board of Regents of
Eastern Michigan University

We have performed the procedures enumerated below, which were agreed to by management of Eastern Michigan University (the "University"), solely to assist the University's compliance with National Collegiate Athletic Association Bylaw 6.2.3.1 in connection with activities of the intercollegiate athletics program, for the year ended June 30, 2004. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those 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. Our procedures and findings are as follows:

Statement of Revenues and Expenditures – Agreed-Upon Substantive Procedures

- (a) We obtained the Statement of Revenues and Expenditures of the Eastern Michigan University Intercollegiate Athletics Program (the "statement") for the year ended June 30, 2004, which was prepared by management, and is included in Exhibit I. We verified the mathematical accuracy of the statement, agreed the amounts on the statement to management's worksheets and reconciled the amounts on management's worksheets to the applicable series of accounts in the University's general ledger. We noted that the worksheets contained certain adjustments from the amounts on the general ledger to the amounts on the statement. We discussed the nature of the worksheet adjustments with management and are satisfied that the adjustments are appropriate.

In performing this procedure, we noted that the majority of management's adjustments were necessary to reclassify amounts in to the proper sport or revenue/expenditure line item. The majority of these reclassifications, such as fringe benefits and university support, represent planned year-end allocations to individual sports. We also noted certain reclassifications were necessary because the original general ledger account number assigned was not the correct sport or account code.

- (b) We compared revenues and expenditures for the year ended June 30, 2004 with those reported in the prior year, and discussed the variations (fluctuations in excess of 10% and \$40,000) with the Assistant Athletics Director-Business. We obtained satisfactory explanations.

- (c) We obtained the football ticket reconciliation prepared by the Athletic Department summarizing ticket prices, total tickets printed and tickets distributed (cash sales and non-cash distribution) for the 2003 football season, recomputed revenue earned based on the number of tickets sold and the stated ticket prices and agreed the total ticket revenue into the statement of revenues and expenditures and into the general ledger.

Amounts recorded as football ticket revenues were as follows:

Ticket sales reconciliation - gross	\$ 95,212
Less:	
Convocation Center ticket office fees	(34,542)
Parking office proceeds	(20,944)
	<hr/>
	39,726
Statement of revenue and expenditures - net	39,726
General ledger	39,726

- (d) We obtained a report from the Eastern Michigan University Foundation detailing all Intercollegiate Athletics Program gifts received from outside organizations and individuals. Certain adjustments, which appeared reasonable, were necessary to properly reconcile this report to the amounts reported in the Statement. We also noted that no contributions consisted of more than 10% of all contributions received.
- (e) We obtained a summary of financial aid distributions by sport from the Accounting Department and agreed this amount to the Statement. We agreed the amounts per this summary to a report obtained from the Financial Aid Office detailing financial aid granted per student athlete. No exceptions were noted.
- (f) We obtained from management the contracts and letters supporting football and men's basketball games for the 2003/2004 season, recalculated guaranteed revenue and expenditures and agreed the totals to management's worksheets. No exceptions were noted.

We were not engaged to, and did not, perform an audit of the Statement of Revenues and Expenditures of the Eastern Michigan University Intercollegiate Athletics Program, the objective of which would be the expression of an opinion on specified elements, accounts, or items. 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 relates only to the accounts and items specified above and does not extend to the financial statements of the University or the intercollegiate athletics program taken as a whole.

Internal Control Structure: Policies and Procedures Related to Intercollegiate Athletics Program – Agreed-Upon Procedures

The management of Eastern Michigan University is responsible for establishing and maintaining a system of internal control over financial reporting. 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 a reasonable, but not absolute, assurance 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 control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control over financial reporting to future periods are subject to the risk that the internal control 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:

- (a) We obtained and read an organization chart prepared by the Athletic Department. We also obtained and read the extent of documentation of accounting systems and procedures related to the Intercollegiate Athletics Program. In addition, we made certain inquiries of the Associate Athletics Director-Business and certain Financial Services Department personnel regarding control consciousness, competence of personnel and protection of records and equipment. No unusual items were noted.
- (b) We discussed the extent of booster group activities with the Associate Athletics Director-Business, noting none as defined by the NCAA Audit Guidelines relating to outside organizations.
- (c) We selected five non-payroll expenditures charged to the Intercollegiate Athletics Program general ledger accounts during the year ended June 30, 2004 and examined the related supporting documentation for proof of invoice and purchase order, proper approval by departmental and purchasing personnel and adherence to University bidding policies. No exceptions were noted. We also noted that each expenditure was charged to an appropriate general ledger account.
- (d) We selected five individual employee payroll expenditures charged to the Intercollegiate Athletics Program general ledger accounts during the year ended June 30, 2004 and reviewed the appropriate payroll file for an authorized employment form (PAF, or other official employment authorization); obtained the pay rate from the authorized employment form or payroll budget report, adjusting for contracted rate increases; traced authorization for deductions to individual payroll records and traced the payroll expenditure into the appropriate payroll register. No exceptions were noted. We also noted that each expenditure was charged to an appropriate general ledger account.
- (e) We selected fifteen grant-in-aid scholarship expenditures and agreed the amount to the student athlete's individual financial aid file and the Student Aid Management System, noting propriety of the account distribution. No exceptions were noted.
- (f) We tested the timeliness of the depositing of football ticket cash receipts by judgmentally selecting two games receipts, agreeing amounts to the deposit detail and noting that amounts were deposited timely. No exceptions were noted.
- (g) We agreed all gifts designated to the University's intercollegiate athletics program that were greater than \$2,500 plus three additional gifts less than \$2,500 to a copy of the check or credit card receipt and supporting donor gift documentation, noting the propriety of the account distribution. No exceptions were noted.

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We were not engaged to, and did not, perform a study and evaluation of the system of internal control of the University, the objective of which would be the expression of an opinion on the system of internal accounting control of the University in effect at June 30, 2004. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made a study and evaluation of the system of internal accounting control, other matters might have come to our attention that would have been reported to you. This report relates only to the procedures specified above and does not extend to the financial statements of the University.

This report is intended solely for the use of the specified parties listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

September 30, 2004

Eastern Michigan University
Intercollegiate Athletics Program
Statement of Revenues and Expenditures
Year Ended June 30, 2004

Exhibit I

	Football	Men's basketball	Women's basketball	Other sports	Non-program specific	Total
Operating revenues and support						
Ticket sales	\$ 95,212	\$ 55,175	\$ 1,911	\$ 19,948	\$ -	\$ 172,246
Program sales	3,925	-	-	-	-	3,925
Fundraisers	-	-	-	725	170	895
Federal financial aid received	161,764	13,667	10,150	927,569	-	1,113,150
State financial aid received	1,300	-	-	15,995	-	17,295
Corporate sponsorships	64,872	68,122	-	-	-	132,994
University support allocation						
Student fees allocation	1,326,545	263,057	280,562	3,075,506	1,614,964	6,560,634
Other general fund	-	-	533,033	1,845,340	1,821,609	4,199,982
Guarantees	70,500	55,000	3,500	13,700	-	142,700
NCAA sponsorship distribution	-	-	-	-	892,208	892,208
Concession sales	11,216	-	-	14,977	1,023	27,216
Parking	-	-	-	-	-	-
Gifts						
Restricted	49,908	12,388	10,992	222,770	171,175	467,233
Unrestricted	-	-	-	-	32,423	32,423
Endowment income						
Restricted	5,114	-	-	-	-	5,114
Unrestricted	-	-	-	-	-	-
Camp revenue	10,390	69,995	90,418	290,080	-	460,883
Miscellaneous	1,360	(280)	(816)	75,149	70,478	145,891
Total operating revenues and support	1,802,106	537,124	929,750	6,501,759	4,604,050	14,374,789
Operating expenditures						
Coaches' salaries and benefits	866,304	409,482	356,211	1,283,071	-	2,915,068
Other salaries and benefits	317,127	47,250	42,611	215,612	1,853,641	2,476,241
Strength and conditioning salaries and benefits	-	-	-	-	150,453	150,453
Federal financial aid disbursed	161,764	13,666	10,150	927,569	-	1,113,149
State financial aid disbursed	1,300	-	-	15,995	-	17,295
Grant-in-Aid Scholarships	1,326,545	263,057	280,562	3,075,506	-	4,945,670
Travel						
Team	166,639	82,192	126,183	538,580	48,563	962,157
Recruiting	52,158	22,084	21,091	48,837	339	144,509
Other	4,660	14,383	7,795	43,811	43,162	113,811
Maintenance and general administration	224,470	42,753	19,275	165,869	839,547	1,291,914
Equipment purchases	35,949	6,568	11,229	83,146	88,963	225,855
Publicity	-	791	-	1,549	28,768	31,108
Insurance	588	294	-	771	172,746	174,399
Telephone	10,848	6,989	3,713	12,709	50,543	84,802
Entertainment	83,941	39,570	39,322	116,084	221,158	500,075
Guarantees	505,000	7,500	18,500	833	-	531,833
Foundation	-	-	-	-	-	-
Building and equipment rental	2,526	6,640	-	15,867	31,642	56,675
Dues and memberships	12,600	4,290	2,152	4,344	81,276	104,662
Other	-	-	-	7,481	46,238	53,719
Total operating expenditures	3,772,419	967,509	938,794	6,557,634	3,657,039	15,893,395
Net surplus (deficit)	\$ (1,970,313)	\$ (430,385)	\$ (9,044)	\$ (55,875)	\$ 947,011	\$ (1,518,606)

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Eastern Michigan University
Intercollegiate Athletics Program
Notes to Statement of Revenues and Expenditures
June 30, 2004

1. Basis of Presentation and Summary of Significant Accounting Policies

The Intercollegiate Athletics Program Statement of Revenues and Expenditures (the "Statement") has been prepared in accordance with accounting principle outlined in the American Institute of Certified Public Accountants Audit Guide, Audits of Colleges and Universities and the NCAA Financial Audit Guidelines, 1996 edition. This statement has been prepared on the accrual basis of accounting.

The statement includes all revenues and expenditures of the University's intercollegiate athletics program. Changes in loan, endowment or plant funds related to the intercollegiate athletics program are not included in the Statement.

Revenues and expenditures of an academic term are reported in the fiscal year in which the program is predominately conducted.

Gifts are donations which are restricted for specific sports programs or for the intercollegiate athletics program as a whole. Restricted gifts and other restricted income are reported as revenues only to the extent received. Gifts restricted for athletic program endowments or plant acquisition are not reported in the statement. For the year ended June 30, 2004, the Eastern Michigan University Foundation received gifts for athletic program endowment funds of approximately \$24,378 and no gifts restricted for athletic program plant acquisitions. Consumable gifts have not been reported in this Statement, as it is the University's policy to record only those gifts which are non-consumable.

Student service fees are the intercollegiate athletic program's allocation of activity fees collected from students. These fees are expended for operating costs of athletic programs.

All costs directly associated with various sports programs are disclosed as such. All remaining costs are identified as nonprogram specific.

The University capitalized notebook computers and other equipment items costing more than \$5,000. These items are reflected in the accompanying Statement as equipment expenditures. Equipment items acquired for less than \$5,000, which were not capitalized, are reflected in the accompanying Statement as maintenance and general administration expenditures.

2. Capital Expenditures Benefiting the Intercollegiate Athletics Program

During the year ended June 30, 2004, the intercollegiate athletic program expended nothing from its plant funds for plant additions.