

# **Colorado State University**

Independent Accountants' Report on Application of  
Agreed-Upon Procedures  
(NCAA Procedures)

Year Ended June 30, 2013

**Colorado State University**  
Year Ended June 30, 2013

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## Independent Accountants' Report on the Application of Agreed-Upon Procedures

Members of the Legislative Audit Committee  
Management of Colorado State University

We have performed the procedures enumerated below, which were agreed to by the chief executive of Colorado State University, solely to assist you in evaluating whether the accompanying statement of revenue and expenses of Colorado State University is in compliance with the National Collegiate Athletic Association ("NCAA") Constitution 3.2.4.16 for the year ended June 30, 2013. Colorado State University's management is responsible for the statement of revenue and expenses ("statement") and the statement's 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 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.

### Agreed-Upon Procedures Related to the Statement of Revenue and Expenses

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

#### General

1. Engagement Letter
  - a. We prepared an engagement letter consisting of the minimum agreed-upon procedures.
  - b. We sent the engagement letter to CSU's Business and Financial Services (BFS) to obtain signatures.
  - c. The procedures were agreed to by the University prior to the advancement of the engagement. The engagement letter was dated September 19, 2013, and signed by all parties by October 9 and 11, 2013.
  
2. Affiliated and Outside Organizations (Colorado State University Foundation-CSUF)
  - a. We obtained the University's procedures for assuring gift revenue received from CSUF for or on behalf of the University's Intercollegiate Athletics Program was reported accurately and spent in accordance with the donor's intent.
  - b. We tested the procedures by comparing CSUF's record of transfers to the University's Statement of Revenues and Expenses.
  - c. We selected a sample of five individual gifts to test if the funds were spent in accordance with the donor's intent.

We noted no exceptions to the above procedures.

3. We obtained the Statement of Revenues and Expenses (SRE) and agreed the amounts reported on the SRE to the University's general ledger.

We received a preliminary SRE on October 14, 2013. Various updates to the SRE, as well as the general ledger detail supporting the SRE, were then received between October 14, 2013, and October 21, 2013. The final SRE was received on October 21, 2013.

4. Internal Control
  - a. We obtained an understanding of Athletics Department internal controls surrounding ticket sales, sports camps, trade-outs, and athletic scholarships.
  - b. We documented our understanding of processes and controls and identified key controls.
  - c. We selected a sample of six transactions total (two each from ticket sales and athletic scholarships and one each from sports camps and trade outs) and tested the design of key controls identified for those six transactions.

We noted no exceptions to the procedures noted.

## Revenues

5. Overall Revenue
  - a. We performed the 5% Test as defined by the NCAA guidelines for "Other Revenue" by calculating the amount for category 15 ("Other") as a percentage of total revenues (i.e., category 16) and determined that category 15 is less than 5% of category 16. We noted no exceptions to above procedures. The other revenue category comprises approximately 3.78% of total revenue.
  - b. We compared each operating revenue category reported in the SRE during the reporting period to supporting schedules provided by the University. We noted no exceptions to the above procedure.
  - c. We compared each major revenue category to prior period amounts and current year budget estimates.

We noted no exceptions to the above procedure.

- d. We obtained management's explanations on any fluctuations of actual amounts from current year budgeted and prior year amounts of 10% or greater.

We noted no exceptions to the above procedure.

- e. We selected a sample of 10 revenue receipts from the other revenue category, in addition to revenues selected in each of the following revenue sections (procedures 6–17), and compared each of these receipts to underlying source documentation.

We noted no exceptions to the above procedure.

6. Ticket Sales

- a. We obtained the competition schedules for each sports program in the Athletics Department for events participated in during the fiscal year.
- b. From the competition schedules, we identified the home game events for which tickets were issued or sold and selected all home football games, the Colorado State University – University of Colorado football game in Denver, and agreed the total men’s basketball ticket sales to supporting documents.
- c. For each sample item selected, we compared the tickets sold, complimentary tickets provided, and unsold tickets to the:
  - Related revenue amounts reported by the University in the SRE;
  - Related attendance figures; and
  - General ledger transactions recording the sales.

We noted no exceptions to the above procedures.

7. Student Fees

- a. We compared and agreed student fees reported by the University in the SRE for the reporting period to student enrollments during the same reporting period.
- b. We obtained and documented an understanding of the University’s methodology for allocating student fees to Athletics Department sport programs.

We noted no exceptions to the above procedures.

We obtained the Fall 2012 and Spring 2013 enrollment from the Institutional Research University enrollment reports and multiplied enrollment statistics by the individual student fee and were able to recalculate student fees within 5% of the SRE.

We noted no exceptions to the above procedures.

8. Guarantees Received

- a. We selected a sample of three 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 the SRE. We recalculated totals.

We noted no exception to the above procedures.

9. Contributions

- a. We randomly selected a sample of ten contribution revenue transactions from the general ledger and agreed the amounts to supporting documentation.
- b. We obtained and reviewed supporting documentation for any individual contribution of monies, goods, or services received directly by the Athletics Department that constitutes 10% or more of all contributions received by the Athletics Department during the fiscal year.
- c. For each contribution meeting the “10% contribution test” in 9b, we documented the source of funds, goods and services, as well as the value associated with these items, and prepared a disclosure for the notes to the SRE.

We noted no exceptions to the procedures above. Contributions constituting 10% or more of total contributions were received from CSUF, which is disclosed in Note 3 to the SRE.

#### 10. Direct State or Other Governmental Support

- a. We attempted to compare direct state or other governmental support recorded by the University during the reporting period with state appropriations, University authorizations and/or other corroborative supporting documentation.

It was noted that the University did not receive any direct state or other governmental support. This is consistent with the SRE.

#### 11. Direct University Support

- a. We randomly selected a sample of two direct University support transactions from the general ledger.
- b. We compared the selected samples of direct University support recorded by the University during the fiscal year with University authorizations and/or other corroborative supporting documentation.

We noted no exceptions to the above procedures.

#### 12. Indirect Facilities and Administrative Support

- a. We obtained the indirect support allocation calculated by the University Facilities Department/Business and Financial Services (BFS).
- b. We compared the indirect support allocation to the revenue and expense recorded on the SRE.

We noted no exceptions to the above procedures.

#### 13. NCAA/Conference Distributions Including All Tournament Revenues

- a. We randomly selected a sample of 10% or 10 (whichever was less) of NCAA/conference distribution transactions from the general ledger.
- b. We obtained and inspected agreements for the sample selected in 13a related to the University's participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions.
- c. We compared and agreed the related revenues to the University's general ledger and/or the SRE and supporting documentation.

We selected two transactions and noted no exceptions to the above procedures.

#### 14. Broadcast, Television, Radio and Internet Rights

- a. We attempted to obtain and inspect ten agreements 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.
- b. We attempted to compare the related revenues to the University's general ledger, and/or the statement.

It was noted the University did not receive any revenue from broadcast, television, radio and internet rights. This is consistent with the SRE.

15. Royalties, Advertisements and Sponsorships

- a. We randomly selected a sample of 10% (7) of royalties, advertisements, and sponsorships revenue transactions from the general ledger.
- b. We obtained and inspected agreements for the sample selected in 15a related to the University's participation in revenues from royalties, advertisements, and sponsorships during the fiscal year to gain an understanding of the relevant terms and conditions.
- c. We compared the related revenues to the University's general ledger and/or the SRE and supporting documentation. We recalculated the totals.

We noted no exceptions to the above procedures.

16. Sports Camp Revenues

- a. We obtained schedules of camps and a listing of camp participants.
- b. We selected a sample of 10 individual camp participant cash receipts from the schedule of sports camp participants and agreed each selection to the University's general ledger and/or the SRE. We recalculated the totals.

We noted no exceptions to the above procedures.

17. Endowment and Investment Income

- a. We selected a sample of 10 endowment and investment income transactions from the general ledger.
- b. We obtained and inspected five endowment agreements for the items noted in 17a to gain an understanding of the relevant terms and conditions.
- c. We compared the classification and use of endowment and investment income reported in the SRE during the fiscal year to the uses of income defined within the related endowment agreement.

We noted no exceptions to the procedures above.

**Expenses**

18. Overall Expenses

- a. We performed the 10% Test for Other Operating Expenses: Calculated the amount on category 35 ("Other Operating Expenses") as a percentage of total operating expenses (i.e., category 36) and determined that category 35 is less than 10% of category 36.

We noted no exceptions to above procedure. The other expense category comprises approximately 5.83% of total expenses.

- b. We compared and agreed each operating expense category reported in the SRE during the reporting period to supporting schedules provided by the University.

We noted no exceptions to the above procedure.

- c. We compared and agreed a sample of 10 operating expenses from the other expense category, in addition to expenses selected in each of the following expense sections (procedures 19–28), and compared each of these expenses to underlying source documentation.

We noted no exceptions to the above procedure.

- d. We compared and agreed each major expense account amount to prior period amounts and current year budget estimates.

We noted no exceptions to the above procedure.

- e. We obtained management’s explanation of any fluctuations of actual amounts from current year budgeted and prior year amounts of greater than 10%.

We noted no exceptions to the above procedure.

#### 19. Athletic Student Aid

- a. We selected a random sample of 10% (10) of students from the listing of institutional student aid recipients during the reporting period.
- b. We obtained the individual student-account detail for each selection and compared total aid allocated from the related aid award letter to the student’s account and amounts recorded on the general ledger.

We noted no exceptions to the above procedures.

#### 20. Guarantees Paid

- a. We obtained and inspected three contractual agreements pertaining to expenses recorded by the University from guaranteed contests during the reporting period.
- b. We compared and agreed the related amounts expended by the University during the fiscal year to the general ledger and/or the SRE. We recalculated the totals.

We noted no exceptions to the above procedures.

#### 21. Coaching Salaries, Benefits, and Bonuses Paid by the University

- a. We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period.
- b. We selected one coach’s contract each from football, men’s basketball and women’s basketball from the listing in 21a.
- c. We compared the financial terms and conditions of each selection that was a head coach of each sport to the related coaching salaries, benefits, and bonuses recorded by the University in the SRE during the reporting period.
- d. We obtained and inspected W-2s, 1099s, etc. for each selection.
- e. We compared and agreed the related W-2s, 1099s, etc. to the related coaching salaries, benefits and bonuses paid by the University and related entities expense recorded in the SRE during the reporting period. We recalculated the totals without exception.

We compared the financial terms and conditions of each head coach selection to the amounts recorded in the SRE and noted no exceptions. We obtained each respective W-2 and compared Box 1 of each W-2 to the related amounts paid and recorded on the SRE noting differences since Box 1 on the W-2 reports taxable income (after pre-tax items are deducted) and the amounts recorded on the SRE represents gross wages. In addition, the SRE reports gross wages on the University's fiscal year and the W-2 reports wages on a calendar year basis.

22. Coaching Other Compensation and Benefits Paid by a Third Party

- a. We obtained and inspected a listing of coaches paid by third parties during the reporting period.
- b. We compared and agreed the financial terms and conditions of each coach on the listing in 22a to the related coaching other compensation and benefits paid by a third party and recorded in the SRE during the reporting period.
- c. We obtained and inspected W-2s, 1099s, etc.
- d. We compared and agreed the related W-2s, 1099s, etc. to the coaching other compensation and benefits paid by a third-party recorded in the SRE during the reporting period. We recalculated the totals without exception.

There were three coaches paid by third parties for the year ended June 30, 2013. We compared the amounts paid by the University to the financial terms and conditions in each coach's contract noting no exceptions.

We compared the amounts paid by the third party to supporting documentation noting no exceptions.

23. Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University

- a. We selected a sample of 10% (3) of support staff/administrative personnel employed by the University during the reporting period.
- b. We obtained and inspected W-2s, 1099s, etc. for each selection.
- c. We compared and agreed the related W-2s, 1099s, etc. to the related support staff/administrative salaries, benefits and bonuses paid by the University and related entities recorded in the SRE during the reporting period. We recalculated the totals without exception.

We compared the amounts recorded in the SRE to Box 1 of each respective W-2 and noted various differences since Box 1 on the W-2 reports calendar-year taxable income (after pre-tax items are deducted) and the amounts recorded on the SRE represents gross wages. In addition, the SRE reports gross wages on the University's fiscal year and the W-2 reports wages on a calendar year basis.

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

- a. We attempted to select a sample of 10% or 10 (whichever was less) support staff/administrative employees paid by third parties during the reporting period.
- b. We attempted to obtain and inspect W-2s, 1099s, etc. for each selection.
- c. We attempted to compare and agree the related W-2s, 1099s, etc. to the related support staff/administrative other compensation and benefits expense paid by a third party and recorded in the SRE during the reporting period.

It was noted that there were no support staff/administrative personnel paid by third parties. This was consistent with the SRE.

#### 25. Severance Payments

- a. We attempted to select a sample of 10% (1) employee receiving severance payments by the University during the reporting period.
- b. We attempted to agree each severance payment to the related termination letter or employment contract and to the SRE.

It was noted that there were no severance payments made by the University. This was consistent with the SRE.

#### 26. Recruiting

- a. We obtained and documented an understanding of the University's recruiting expense policies.
- b. We compared and agreed the University's policies to NCAA-related policies.
- c. We selected a random sample of 10 recruiting expense transactions from the general ledger and agreed to supporting documentation. We recalculated totals.

We noted no exceptions to the above procedures.

#### 27. Team Travel

- a. We obtained and documented an understanding of the University's team travel policies.
- b. We compared the University's policies to NCAA-related policies.
- c. We selected a random sample of two transactions from each of five accounts of team travel expense transactions from the general ledger and agreed the amounts to supporting documentation. We recalculated totals.

We noted no exceptions to the above procedures.

#### 28. Indirect Facilities and Administrative Support

- a. We compared and agreed Indirect Facilities and Administrative Support reported in the SRE to the corresponding revenue category (Indirect Facilities and Administrative Support, category 8).

We noted no exceptions to the above procedure.

### **Follow-up**

#### 29. Follow-up Procedures

Obtain each of the prior years' recommendations that had not yet been determined to have been implemented as of the prior year (i.e., outstanding recommendations):

- a. We attempted to obtain management's response to the status of the outstanding recommendations and attempted to perform the following procedures, as applicable.
- b. We attempted to assess each outstanding recommendation as:

- IMPLEMENTED for those recommendations implemented in full in accordance with management's response to the recommendation;
- PARTIALLY IMPLEMENTED for those recommendations that have been addressed to some degree;
- NOT IMPLEMENTED for those recommendations for which no action has been taken to implement the recommendation; or
- MANAGEMENT ASSUMES RISK for those recommendations that have subsequently been chosen not to be implemented by management.

There were no recommendations from the June 30, 2012, procedures.

30. Completion of the Report and Distribution for the Year Ended June 30, 2013.

BKD provided a draft of the Agreed-Upon Procedures report with Athletics Department Staff and BFS on December 12, 2013. Upon agreement of language by these parties, we provided BFS with 10 Agreed-Upon Procedures reports to distribute to the Athletics Department and the President.

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 revenue and expenses of Colorado State University. 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 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*

December 17, 2013

**Colorado State University**  
**Intercollegiate Athletics Department**  
**Statement of Revenues and Expenses**  
(Unaudited)  
**Year Ended June 30, 2013**

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
<b>Operating Revenue</b>						
Ticket sales	\$ 2,094,799	\$ 713,078	\$ 45,316	\$ 122,511	\$ -	\$ 2,975,704
Student fees	-	-	-	-	5,080,119	5,080,119
Guarantees	-	75,000	4,000	11,500	-	90,500
Contributions	108,123	114,777	30,952	219,858	4,461,458	4,935,168
Compensation and benefits provided by a third party	25,000	11,600	1,200	-	-	37,800
Direct institutional support	-	-	-	-	10,715,152	10,715,152
Indirect facilities and administrative support	650,667	189,860	176,189	317,557	884,399	2,218,672
NCAA/Conference distributions including all tournament revenues	-	66,575	6,000	24,064	3,066,863	3,163,502
Program sales, concessions, novelty sales and parking	273,817	77,961	12,947	27,199	187,749	579,673
Royalties, advertisements and sponsorships	-	-	-	-	2,574,463	2,574,463
Sports camps revenues	206,168	419,998	60,574	299,329	44,463	1,030,532
Endowment and investment income	28,576	1,378	362	46,382	(2,115)	74,583
Other	174,607	6,060	1,220	99,603	1,034,567	1,316,057
Total operating revenue	<u>3,561,757</u>	<u>1,676,287</u>	<u>338,760</u>	<u>1,168,003</u>	<u>28,047,118</u>	<u>34,791,925</u>
<b>Operating Expenditures</b>						
Athletics student aid	2,975,411	503,377	484,647	2,869,932	151,008	6,984,375
Guarantees	250,000	314,866	9,000	45,296	-	619,162
Coaching salaries, benefits and bonuses paid by the University and related entities	3,863,344	1,694,867	610,736	1,463,313	45,044	7,677,304
Coaching salaries - camps	-	-	-	83,569	-	83,569
Coaching, other compensation and benefits paid by a third party	25,000	11,600	1,200	-	-	37,800
Support staff/administrative salaries, benefits and bonuses paid by the University and related entities	488,341	309,246	148,979	60,267	4,111,134	5,117,967
Support salaries - camps	3,611	39,404	668	11,103	-	54,786
Recruiting	460,600	181,569	142,517	140,161	8,526	933,373
Team travel	853,660	503,007	280,082	907,951	2,701	2,547,401
Equipment, uniforms and supplies	645,253	67,690	66,006	177,646	89,307	1,045,902
Game expenses	895,111	239,916	148,906	162,136	203	1,446,272
Fundraising, marketing and promotion	143,005	23,356	4,004	47,700	1,608,831	1,826,896
Sports camps expenses	201,439	396,201	60,339	205,496	6,428	869,903
Direct facilities, maintenance and rental	25,869	(3,666)	(173)	65,586	19,558	107,174
Spirit groups	-	-	-	-	79,810	79,810
Indirect facilities and administrative support	650,667	189,860	176,189	317,557	884,399	2,218,672
Medical expenses and medical insurance	16,399	15	-	520	545,575	562,509
Memberships and dues	5,670	7,430	2,438	32,299	399,508	447,345
Other operating expenses	463,166	229,403	90,009	124,299	1,115,657	2,022,534
Total operating expenditures	<u>11,966,546</u>	<u>4,708,141</u>	<u>2,225,547</u>	<u>6,714,831</u>	<u>9,067,689</u>	<u>34,682,754</u>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<u>\$ (8,404,789)</u>	<u>\$ (3,031,854)</u>	<u>\$ (1,886,787)</u>	<u>\$ (5,546,828)</u>	<u>\$ 18,979,429</u>	<u>\$ 109,171</u>

**Colorado State University**  
**Intercollegiate Athletics Department**  
**Notes to Statement of Revenues and Expenses**  
(Unaudited)  
**Year Ended June 30, 2013**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying Statement of Revenues and Expenses presents the results of financial activity of the Intercollegiate Athletics Department of Colorado State University and is not intended to present the operations of the University as a whole.

The accompanying Statement of Revenue and Expenses has been prepared to comply with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16. The basis of accounting is therefore in compliance with the NCAA legislation, which was amended in August 2004 to change the NCAA financial reporting timeline and to specify the changes in reporting definitions approved by the membership. This will result in data similar to that required by the Equity in Athletics Disclosure Act (EADA).

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Capitalization limits vary ranging from \$5,000 to \$50,000. Renovations to buildings and other improvements that significantly increase the value and extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to expense.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 70 years for buildings, 10 to 21 years for land improvements, three to 15 years for library books, three to 12 years for equipment and software, and five to 40 years for leasehold improvements.

**Note 2: Capital Expenditures**

During the year ended June 30, 2013, there were capital expenditures relating to athletics, benefiting both athletic programs and the University as a whole. These expenditures were composed of the following:

	<b>2013</b>
Additions to Construction in Progress	\$ 3,280,710
Equipment and Software	92,729
	\$ 3,373,439

**Colorado State University**  
**Intercollegiate Athletics Department**  
**Notes to Statement of Revenues and Expenses**  
(Unaudited)  
**Year Ended June 30, 2013**

**Note 3: Concentration of Donor Sources**

The Colorado State University Foundation was the single largest donor source to CSU Intercollegiate Athletics Department with donations of \$2,649,110 that represented approximately 87% of total contributions for the year ended June 30, 2013. Contributions received from the Colorado State University Foundation represent gifts from various donors made for the benefit of CSU's athletics program.

**Note 4: Bonds Payable**

In fiscal year 2008, the University issued System Enterprise Revenue Bonds, Series 2007B to refund the 1997 Certificates of Participation. The outstanding balance as of June 30, 2013, was \$1,940,000. A \$275,000 principal payment was made during the year. The Athletics Department balance approximates 13.1% of the total University outstanding balance of \$14,785,000 at June 30, 2013.

The future minimum debt service payments for the bond payable are shown in the following table.

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2014	\$ 290,000	\$ 87,669	\$ 377,669
2015	300,000	76,069	376,069
2016	315,000	61,069	376,069
2017	330,000	45,319	375,319
2018	345,000	31,294	376,294
2019	360,000	16,200	376,200
	<u>\$ 1,940,000</u>	<u>\$ 317,620</u>	<u>\$ 2,257,620</u>
Total debt service maturities			

**Colorado State University**  
**Intercollegiate Athletics Department**  
**Notes to Statement of Revenues and Expenses**  
**(Unaudited)**  
**Year Ended June 30, 2013**

The electronic version of this report is available on the Web site of the  
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