

# Oklahoma State University

**Independent Accountant's Report on Applying  
Agreed-Upon Procedures Performed on the University  
Athletics Department as Required by NCAA Bylaw 3.2.4.15.1**

June 30, 2018

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**Oklahoma State University**  
**University Athletics Department and Affiliates**  
June 30, 2018

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Regents for the Oklahoma Agricultural  
and Mechanical Colleges and Management  
c/o Mr. Burns Hargis, President  
Oklahoma State University  
Oklahoma City, Oklahoma

We have performed the procedures enumerated below, which were agreed to by Oklahoma State University (the "University"), solely to assist you in evaluating whether the accompanying statement of revenues and expenses of the University Athletics Department and Affiliates (Statement) of the University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15.1 for the year ended June 30, 2018. The management of Oklahoma State University is responsible for its 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 procedures performed and findings obtained are described below:

We obtained the Statement, as prepared by the management of the University. We noted that the Statement consisted of combined amounts from the University's general ledger and the general ledger of the Oklahoma State University Foundation (the "Foundation") combined 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 which reconciled the activity recorded in the Statement to the activity included in the University's general ledger as included in the University's annual financial statement audit and amounts provided by the Foundation. We inquired with the Associate Vice President of Finance of the Foundation who indicated that the amounts included from the Foundation agreed to the amounts provided which were included in the audit of the Foundation. We obtained a copy of the Foundation's audited financial statements.

For relevant revenue and expense categories, we performed the following:

1. We compared the amount of each operating revenue and expense category reported in the Statement during the year ended June 30, 2018, to supporting schedules provided by the administration of the University, noting that they agreed without exception. We recalculated the totals per the supporting schedules, without exception. The following revenue reporting categories were less than 4.0% 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. Student fees
- b. Guarantees

- c. Contributions in-kind
- d. NCAA distributions
- e. Conference distributions
- f. Program sales, concessions, novelty sales and parking
- g. Other operating revenue
- h. Bowl revenues

Expenses

- a. Guarantees
- b. Severance payments
- c. Recruiting
- d. Game expenses
- e. Fundraising, marketing and promotion
- f. Spirit groups
- g. Medical expenses and medical insurance
- h. Memberships and dues
- i. Student-athlete meals (nontravel)
- j. Bowl expenses
- k. Bowl expenses – coaching bonuses

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

Revenues

- a. Direct state or other government support
- b. Direct institutional support
- c. Indirect institutional support
- d. Compensation and benefits provided by a third party
- e. Sports camp revenues
- f. Endowment and investment income

Expenses

- a. Coaching other compensation paid by a third party
- b. Support staff/administrative other compensation paid by a third party
- c. Sports camp expenses
- d. Indirect institutional support
- e. Conference realignment 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. University management's explanation of variances greater than 10% from prior year are included in the attached Supplemental Schedule – Exhibit 2.

4. We obtained a schedule of budgeted amounts and actual revenues and expenses from management containing management’s analysis of the University Athletics Department actual performance to budget for the year ended June 30, 2018, using University data included in the Statement. We observed that the budget was prepared in a format for functional use by the University Athletics Department, aggregating data by sport and other various categories as required for the Statement. For the purposes of these procedures a comparison of University budgeted amounts to the amounts reported in the Statement by revenue or expense categories was not performed due to the format in which the data was aggregated.

### Revenues

5. *Ticket sales* - We obtained reports from the ticketing system indicating tickets sold, complimentary tickets provided and unsold tickets during the reporting period and recalculated totals on those reports. We compared the totals from those reports to the related revenue reported by the University in the Statement and the related attendance figures. We noted the following differences:

	<b>Football</b>	<b>Men's Basketball</b>	<b>Women's Basketball</b>	<b>Men's Olympic Sports</b>	<b>Women's Olympic Sports</b>	<b>Nonprogram Specific</b>
Ticket sales per Statement	\$11,778,988	\$ 1,975,787	\$ 353,366	\$ 1,061,781	\$ 525,283	\$ 509,625
Difference	(26,352)	(16,464)	(1,478)	(5,822)	(111)	(3,753)
Amount per Ticket Office	<u>\$11,752,636</u>	<u>\$ 1,959,323</u>	<u>\$ 351,888</u>	<u>\$ 1,055,959</u>	<u>\$ 525,172</u>	<u>\$ 505,872</u>

6. *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 received and spent by the University Athletics Department that constituted 10% or more of all contributions received during the year ended June 30, 2018, and compared the three contributions selected to supporting documentation, noting that they agreed without exception.
7. *Media Rights* – We obtained and read the agreement for the University’s total media (broadcast, television, radio) rights and gained an understanding of the relevant terms and conditions. We obtained supporting detail of the revenues earned for media rights in the Statement and compared the revenues to the Statement and to the agreement and University reconciliation, noting that they agreed without exception.
8. *Royalties, Licensing, Advertisements and Sponsorships* – We obtained the University Athletics Department’s largest multimedia rights sponsorship agreement related to the University’s participation in revenues from royalties, licensing, advertisements and sponsorships during the year ended June 30, 2018, and gained an understanding of the relevant terms and conditions. We

obtained supporting detail of the revenues earned for royalties, licensing, advertisements and sponsorships, recalculated the total and agreed to the Statement without exception. We selected a sample of three royalties, licensing, advertisements and sponsorship revenues received during the year and compared the sample to supporting documentation, noting the support for items recorded agreed to amounts included in the Statement without exception.

### **Operating Expenses**

9. *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 student in the sample selection and compared to the student’s detail in the CA software. Management indicated that the 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 12 of the student-athletes selected, the aid provided by the institution was agreed to the “2017-2018 Undergraduate Costs Report” for resident and nonresident students provided by the University Athletics Compliance department. For six students included in the sample section, the amount included in the CA software agreed to the individual student account detail when adding the expenses under Code AT9050 which is reported in the CA software but not in the student account detail. For the other 22 students in the population, the amounts reported in the CA software for the students in the sample section agreed to the individual student account detail or the “2017-2018 Undergraduate Costs Report” without exception.

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 without exception unless otherwise noted:

- a. The equivalency value for each student-athlete was converted to a full-time equivalency value without exception.
- b. Grants-in-aid is calculated by using the revenue distribution equivalencies by sport and in aggregate.
- c. Other expenses related to attendance were not included in grant-in-aid revenue distribution equivalencies.
- d. The full grant amount was the full cost of tuition for an academic year, not semester or quarter.
- e. Student-athletes had been counted only once and did not receive a revenue distribution equivalency greater than 1.00.

- f. Athletic grants were only provided in sports in which the NCAA conducts championships competition, emerging sports for women and bowl subdivision football.
  - g. All sports for which grants-in-aid were distributed met the minimum contest and participants' requirements of Bylaw 20.9.6.3.
  - h. Student-athletes listed on the CDRE as "Exhausted Eligibility (fifth-year)" or "Medical" received credit in the grants-in-aid component.
  - i. The athletics aid equivalency does not exceed maximum equivalency limits.
  - j. No students were from sports which have been discontinued.
  - k. The equivalency calculation was rounded to two decimal places.
  - l. If the student received a Pell Grant, the value of the grant was not included in the total dollar amount of student athletic aid expense.
  - m. The University has not yet entered Pell Grants in the NCAA Membership Financial Reporting System as management indicated that the submission will be made in January 2019. We agreed all Pell Grants awarded to student-athletes in the sample from 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.
10. *Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities* – We obtained a listing of coaches employed by the University during the year ended June 30, 2018. We selected a sample of three coaches' contracts that include the head football coach, head men's basketball coach and head women's basketball coach. We agreed the financial terms and conditions of each selection to the "Athletic Payroll Report" provided by the University and recalculated totals for each selection without exception. We also recalculated totals recorded in the Statement without exception.
11. *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 "Athletics Payroll Report" provided by the University and recalculated totals recorded in the Statement without exception.
12. *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.



13. *Sports Equipment, Uniforms and Supplies* – We obtained a listing of all equipment, uniforms and supplies expenses, recalculated totals and agreed to the Statement without exception. We selected a sample of three transactions and compared the selected items to invoices or agreements which agreed to the expenses recorded by the University without exception.
14. *Athletic Facilities Debt Service, Lease and Rental Fees* – We obtained a listing of debt service schedules, lease payments and rental fees for athletics facilities for the year ended June 30, 2018, and recalculated totals without exception. We compared a sample of the three highest facilities payments to supporting documentation without exception.
15. *Direct Overhead and Administrative Expenses* – We obtained the supporting schedule for direct overhead and administrative expenses, recalculated totals and agreed to the Statement without exception. We selected three transactions and compared them to invoices and supporting schedules 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 expenses and agreed to supporting documentation without exception.

#### **Minimum Agreed-Upon Procedures – NCAA Membership Financial Reporting System**

17. We compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the University, noting they agreed without exception.
18. We obtained the University's Sports Sponsorship and Demographics Forms Report for the year ended June 30, 2018, and agreed the countable sports reported by the University with the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum contest requirement. We noted the University has reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.
19. We obtained a listing from the University financial aid records of all student athletes' receiving Pell Grants during the year ended June 30, 2018, and agreed it to the listing of athletes receiving Pell Grants provided by compliance. As noted in *Item 9(m)* the University has not yet reported Pell Grants in the NCAA Membership Financial Reporting System as management indicated that the submission will be made in January 2019.

#### **Minimum Agreed-Upon Procedures For Other Reporting Items**

20. We obtained from management and recalculated repayment schedules and annual maturities for all outstanding intercollegiate debt identified by management during the reporting period. We agreed the total annual maturities and total outstanding athletic related debt to the University's general ledger.
21. We obtained a schedule of outstanding institutional debt from management and the University's audited financial statements. We agreed the schedule of outstanding institutional debt to the University's audited financial statements without exception.

22. 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 Associate Athletics Director who prepared the Statement, who indicated she was not aware of any internal control deficiencies in the University Athletics Department.
25. We obtained the “Daily Cash Transfer” and “Daily Sales Reconciliation” for one ticket office employee for September 26, 2018. The reports were signed indicating review by the employee’s supervisor.
26. We inquired with University Athletics Department personnel 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 has an account they can write checks from, however they can only disburse these funds for team travel. This account carries a minimum balance of \$50,000 and all checks exceeding \$1,500 require two signatures.

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 Statement of Revenues and Expenses of the University Athletics Department and Affiliates for the year ended June 30, 2018, or the specified elements, accounts and items or internal control over financial reporting and compliance described above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*BKD, LLP*

Springfield, Missouri  
October 30, 2018

**Oklahoma State University**  
**Statement of Revenues and Expenses of the University Athletics Department and Affiliates**  
**Year Ended June 30, 2018**  
**(See Independent Accountant's Report on Applying Agreed-Upon Procedures)**  
**Exhibit 1**

	Football	Men's Basketball	Women's Basketball	Men's Olympic Sports	Women's Olympic Sports	Nonprogram Specific	Total
<b>Operating Revenues</b>							
Ticket sales	\$ 11,778,988	\$ 1,975,787	\$ 353,366	\$ 1,061,781	\$ 525,283	\$ 509,625	\$ 16,204,830
Student fees	-	-	-	-	-	89,466	89,466
Guarantees	450,000	66,000	-	59,668	1,000	-	576,668
Contributions	7,685,431	3,218,909	104,274	633,961	247,393	9,724,322	21,614,290
In-kind	68,746	35,667	3,000	21,747	329,461	213,913	672,534
Media rights	22,784,412	6,899,339	-	-	-	7,400,000	37,083,751
NCAA distributions	-	-	74,825	56,877	57,346	1,664,750	1,853,798
Conference distributions	-	15,975	6,825	57,522	83,323	367,750	531,395
Program sales, concessions, novelty sales and parking	446,611	50,687	13,313	34,445	7,176	263,014	815,246
Royalties, licensing, advertisements and sponsorships	829,538	145,343	79,376	453,923	398,069	2,867,078	4,773,327
Other operating revenues	280,353	30,960	1,800	12,639	9,903	2,572,467	2,908,122
Bowl revenues	1,392,940	-	-	-	-	-	1,392,940
	<u>45,717,019</u>	<u>12,438,667</u>	<u>636,779</u>	<u>2,392,563</u>	<u>1,658,954</u>	<u>25,672,385</u>	<u>88,516,367</u>
<b>Operating Expenses</b>							
Athletic student aid	2,534,610	346,940	388,873	919,676	1,687,444	1,579,102	7,456,645
Guarantees	400,000	532,500	147,500	50,142	16,803	-	1,146,945
Coaching salaries, benefits and bonuses paid by the University and related entities	8,835,260	2,144,594	1,190,158	3,630,416	2,207,113	-	18,007,541
Support staff/administrative salaries, benefits and bonuses paid by the University and related entities	1,517,080	328,137	250,723	352,154	226,091	14,182,758	16,856,943
Recruiting	715,492	462,735	106,542	235,783	297,165	-	1,817,717
Severance payments	-	-	-	-	-	236,385	236,385
Team travel	1,629,477	981,051	612,746	1,663,657	1,408,804	101,483	6,397,218
Sports equipment, uniforms and supplies	1,229,021	264,290	130,882	625,276	1,055,662	2,357,681	5,662,812
Game expenses	256,038	385,923	162,617	132,125	147,429	1,921,184	3,005,316
Fundraising, marketing and promotion	2,059	-	-	30,093	9,813	2,565,335	2,607,300
Spirit groups	-	-	-	-	-	394,160	394,160
Athletic facilities debt service, leases and rental fees	-	-	-	-	-	3,556,969	3,556,969
Direct overhead and administrative expenses	157,333	25,532	22,234	75,094	113,287	6,198,048	6,591,528
Medical expenses and insurance	73,439	16,302	7,116	68,870	66,485	1,142,460	1,374,672
Memberships and dues	2,241	-	2,775	11,508	26,240	248,802	291,566
Student athlete meals (nontravel)	-	-	-	-	-	1,000,085	1,000,085
Bowl expenses	1,811,724	-	-	-	-	-	1,811,724
Bowl expenses - coaching bonuses	365,943	-	-	-	-	-	365,943
Other operating expenses	2,938,146	599,458	100,618	671,954	404,957	4,932,065	9,647,198
	<u>22,467,863</u>	<u>6,087,462</u>	<u>3,122,784</u>	<u>8,466,748</u>	<u>7,667,293</u>	<u>40,416,517</u>	<u>88,228,667</u>
Excess (deficiency) of revenue over expenses	<u>\$ 23,249,156</u>	<u>\$ 6,351,205</u>	<u>\$ (2,486,005)</u>	<u>\$ (6,074,185)</u>	<u>\$ (6,008,339)</u>	<u>\$ (14,744,132)</u>	<u>\$ 287,700</u>

**Oklahoma State University**  
**Notes to Statement of Revenues and Expenses of the University Athletics**  
**Department and Affiliates**  
**Year Ended June 30, 2018**  
**(See Independent Accountant’s Report on Applying Agreed-Upon Procedures)**

**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 Oklahoma State University (the “University”) Athletics Department, including activity reported by the Oklahoma 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 expenses have been classified on a basis consistent with the account structure of the University.

Certain expenses such as depreciation, are recorded at the University level on behalf of the University Athletics Department and not accounted for by the University Athletics Department and are not included in the accompanying statement of revenues and expenses. Additionally, some accruals may be recorded at the University level and are, therefore, not included in this report. The cost of tuition waivers for the benefit of graduate students and other employees working for the University Athletics Department is not recorded as an expenditure at the University Athletics Department level and is, therefore, not included in this report. The University does not currently allocate indirect facilities and administrative support to the University Athletics Department and, therefore, these costs are not included in the accompanying statements.

**Note 2: Outside Booster Organizations**

Several booster organizations, known as the POSSE, have been established on behalf of the University’s intercollegiate athletics program. These organizations are under the financial control of the Foundation in that they are subject to the Foundation’s internal accounting control policies and procedures. Activity of the POSSE is included in the accompanying Statement to the extent it is included in the accounts of the Foundation.

During the year ended June 30, 2018, the University received individual contributions from the Foundation in excess of 10% of total contributions, in the amount of \$7.0 million, \$3.0 million, and \$3.0 million.

**Note 3: Affiliated Organizations**

The Oklahoma State University Foundation, Inc. (Foundation) is a related entity of the University’s Athletics Department. The Foundation conducts fundraising activities that support the University Athletics Department.

**Oklahoma State University**  
**Notes to Statement of Revenues and Expenses of the University Athletics**  
**Department and Affiliates**  
**Year Ended June 30, 2018**  
**(See Independent Accountant's Report on Applying Agreed-Upon Procedures)**

**Note 4: Capital Assets**

Major capital activities in the University Athletics Department are generally funded in whole or in part from nonoperating sources. Capital expenditures are generally capitalized in the University Athletics Department's accounting records and depreciated over the useful life of the related assets.

**Note 5: Long-Term Debt**

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

	<b>Bonds</b>	<b>Master Lease</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 2,975,000	\$ 859,000	\$ 2,975,737	\$ 6,809,737
2020	2,675,000	883,167	2,848,306	6,406,473
2021	2,780,000	909,083	2,721,887	6,410,970
2022	2,895,000	934,167	2,583,757	6,412,924
2023	3,015,000	961,833	2,425,345	6,402,178
2024 - 2028	12,550,000	5,527,833	9,542,552	27,620,385
2029 - 2033	12,065,000	6,864,500	5,800,284	24,729,784
2034 - 2038	10,120,000	1,419,000	2,084,920	13,623,920
2039 - 2042	4,215,000	-	191,813	4,406,813
	<u>\$ 53,290,000</u>	<u>\$ 18,358,583</u>	<u>\$ 31,174,601</u>	<u>\$102,823,184</u>

## **Supplemental Schedule**

**Oklahoma State University**  
**Statement of Revenues and Expenses Variance Schedule of the University Athletics**  
**Department and Affiliates**  
**Year Ended June 30, 2018**  
**(See Independent Accountant's Report on Applying Agreed-Upon Procedures)**  
**Exhibit 2**

	<b>2018</b>	<b>2017</b>	<b>Difference</b>	<b>Explanation provided by Management</b>
<b>Revenues</b>				
Football ticket sales	\$ 11,778,988	\$ 14,896,675	\$ (3,117,687)	Decrease in football ticket sales caused by ticket price restructuring during the 2017 - 2018 season. The restructuring resulted in less ticket revenue for OSU but additional revenue under contributions through the OSU Foundation.
Nonprogram specific contributions	\$ 9,724,322	\$ 13,495,939	\$ (3,771,617)	Contributions directly to Football and Men's Basketball increased, therefore nonprogram specific contributions were not needed to balance overall budget.
Total ticket sales	\$ 16,204,830	\$ 19,679,074	\$ (3,474,244)	Decrease in football ticket sales caused by ticket price restructuring during the 2017 - 2018 season. The restructuring resulted in less ticket revenue for OSU but additional revenue under contributions through the OSU Foundation.
Total contributions	\$ 21,614,290	\$ 15,099,478	\$ 6,514,812	Due to the ticket price restructuring, contributions increased to offset the decrease in ticket revenue and balance the overall budget.
<b>Expenses</b>				
Nonprogram specific - support staff	\$ 14,182,758	\$ 12,799,492	\$ 1,383,266	There was a departmental raise program in fiscal year 2018.
Total coaching salaries	\$ 18,007,541	\$ 16,285,646	\$ 1,721,895	In addition to a departmental raise program, there were changes in contractual agreements for football, wrestling, baseball and men's basketball coaches which resulted in an increase.
Total support staff, etc	\$ 16,856,943	\$ 15,396,691	\$ 1,460,252	Increase was due to adding new positions in football and a departmental raise program in fiscal year 2018
Total other operating expenses	\$ 9,647,198	\$ 13,599,791	\$ (3,952,593)	The decrease was due to a returned donation in fiscal year 2017 and identifying additional expenses as recruiting instead of other operating expenses.