

Oklahoma State University

Independent Accountant's Report on
Applying Agreed-Upon Procedures Performed on the
University Athletics Department as Required by NCAA Bylaw 3.2.4.17.1

June 30, 2020

Oklahoma State University
University Athletics Department and Affiliates
June 30, 2020

Contents

Independent Accountant’s Report on Applying Agreed-Upon Procedures.....	1
Exhibit 1 – Statement of Revenues and Expenses of the University Athletics Department and Affiliates.....	10
Notes to Statement of Revenues and Expenses of the University Athletics Department and Affiliates	11
Exhibit 2 – Statement of Revenues and Expenses Variance Schedule of the University Athletics Department and Affiliates.....	13

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
Stillwater, 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 3.2.4.17.1 for the year ended June 30, 2020. 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 for the purpose for which this report has been requested or for any other purpose.

The procedures performed and findings obtained are described below:

For purposes of all the following agreed-upon procedures, the following guidelines and materiality thresholds apply:

1. The materiality threshold is set at \$10,000 and only variances greater than \$10,000 were noted as exceptions in our report.
2. If a specific reporting category is less than 4 percent of the total revenues or expenses, no procedures were performed for that specific category.
3. Unless otherwise specified, all sample sizes consisted of three items.

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 3.2.4.17.1. 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, 2020, 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 percent of total revenues and the following expense categories were less than 4.0 percent 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. Program sales, concessions, novelty sales, and parking
- f. Other operating revenue
- g. Bowl revenues

Expenses

- a. Guarantees
- b. Severance payments
- c. Recruiting
- d. Game expenses
- e. Fundraising, marketing, and promotion
- f. Sports camp expenses
- g. Spirit groups
- h. Medical expenses and medical insurance
- i. Memberships and dues

- j. Student-athlete meals (nontravel)
 - k. Bowl expenses
 - l. 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, 2020, 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. Indirect institutional support
- d. Conference realignment expenses

Other Reporting Items

- a. Transfers back to the University
3. We compared revenue and expense amounts greater than 10 percent of the total revenues or expenses, respectively, to prior year amounts and inquired of University management regarding individual changes greater than 10 percent from prior year amounts. University management’s explanation of variances greater than 10 percent 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, 2020, 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:

	Football	Men's Basketball	Women's Basketball	Men's Olympic Sports	Women's Olympic Sports	Nonprogram Specific
Ticket sales per Statement	\$ 10,478,795	\$ 1,446,551	\$ 331,315	\$ 591,159	\$ 325,857	\$ 308,877
Difference	<u>54,597</u>	<u>(81,745)</u>	<u>(10,487)</u>	<u>(9,215)</u>	<u>(6,079)</u>	<u>(6,474)</u>
Amount per Ticket Office	<u>\$ 10,533,392</u>	<u>\$ 1,364,806</u>	<u>\$ 320,828</u>	<u>\$ 581,944</u>	<u>\$ 319,778</u>	<u>\$ 302,403</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 percent or more of all contributions received during the year ended June 30, 2020, and compared the contribution selected to supporting documentation, noting that it agreed without exception.
7. *Conference Distributions of Bowl Related Revenues* – We obtained and read the University’s conference handbook which includes revenue distribution rights but does not specify bowl revenue distributions. We obtained supporting detail of the revenues earned from conference distributions of bowl related revenues and compared the revenues to the Statement, noting that they agreed without exception.
8. *Media Rights* – We obtained 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.

9. *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, 2020, 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

10. *Athletic Student Aid* – The University uses the NCAA’s compliance assistant (CA) software to prepare athletic aid detail, therefore, we selected a sample of 40 of the total student athletes from the listing of University student aid recipients captured from a squad list by sport. We recalculated total student aid provided for each sport and overall.

We obtained individual student account detail per the institution for each 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 26 of the student-athletes selected, the aid provided by the institution was agreed to the “2019-2020 Undergraduate Costs Report” for resident and nonresident students provided by the University Athletics Compliance department. For the other 14 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 “2019-2020 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. No student-athletes were listed on the CDRE as "Exhausted Eligibility (fifth-year)" or "Medical".
 - 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 subsequent to the date this report was available to be issued. 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.
11. *Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities* – We obtained a listing of coaches employed by the University during the year ended June 30, 2020. 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 recalculated totals recorded in the Statement without exception.
12. *Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities* – We selected a sample of three athletic support staff/administrative personnel employed by the University. We obtained supporting salary information per the financial system for each selection and agreed the information to the "Athletics Payroll Report" provided by the University and recalculated totals recorded in the Statement without exception.

13. *Team Travel* – We obtained the University’s team travel policies and compared them to the NCAA policies noting no exceptions. We obtained supporting schedules for team travel expenses, recalculated totals and compared to the Statement without exception.
14. *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.
15. *Athletic Facilities Debt Service, Lease, and Rental Fees* – We obtained a listing of debt service schedules, lease payments, and rental fees for athletics facilities charged to athletics for the year ended June 30, 2020, and recalculated totals without exception. We compared a sample of the two highest facilities payments to supporting documentation without exception.
16. *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.
17. *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

18. 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. We compared current Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies per the Membership Financial Report submission noting that Women’s Tennis reported a year-over-year variance greater than 4.0 percent (8.33%). We inquired with Management about this variance, noting that Women’s Tennis carried an extra player in FY20 which resulted in the change of equivalency rate.
19. We obtained the University’s Sports Sponsorship and Demographics Forms Report for the year ended June 30, 2020, 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. We also compared the current year number of Sports Sponsored to the prior year total reported per the Membership Financial Reports submission noting no variance.

20. We obtained a listing from the University financial aid records of all student athletes' receiving Pell Grants during the year ended June 30, 2020 and agreed it to the listing of athletes receiving Pell Grants provided by Compliance. As noted in *Item 10(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 2021. We also compared the current year Pell Grants total to prior year reported total per the Membership Financial Report submission noting the variance was above 20 grants. We inquired with Management who noted that the variance is due to additional athletic students receiving Pell awards compared to the prior year.

Minimum Agreed-Upon Procedures For Other Reporting Items

21. 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.
22. 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.
23. 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.
24. 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

25. We inquired with the Assistant Athletics Director who prepared the Statement, who indicated he was not aware of any internal control deficiencies related to the gathering or reporting of financial information related to creation of the statement in the University Athletics Department.
26. We obtained the "Daily Cash Transfer" and "Daily Sales Reconciliation" for one ticket office employee for 9/30/2019. The reports were signed indicating review by the employee's supervisor.
27. 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 \$150,000 and all checks exceeding \$1,500 require two signatures.

Board of Regents for the Oklahoma Agricultural
and Mechanical Colleges and Management
c/o Mr. Burns Hargis, President
Oklahoma State University
Page 9

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, 2020, 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.

Handwritten signature of BKD, LLP in black ink, with a vertical line to the right of the text.

Springfield, Missouri
January 8, 2021

Oklahoma State University
Statement of Revenues and Expenses of the University Athletics Department and Affiliates
Year Ended June 30, 2020
(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
Operating Revenues							
Ticket sales	\$ 10,478,795	\$ 1,446,551	\$ 331,315	\$ 591,159	\$ 325,857	\$ 308,877	\$ 13,482,554
Student fees	-	-	-	-	-	85,011	85,011
Guarantees	500,000	110,000	-	75,480	-	-	685,480
Contributions	8,887,852	3,855,197	68,656	810,382	279,860	11,615,478	25,517,425
In-kind	25,600	6,402	-	34,190	618,270	73,054	757,516
Media rights	18,792,293	5,513,751	5,291	-	-	7,817,159	32,128,494
NCAA distributions	-	-	-	29,207	64,218	475,966	569,391
Conference distributions (non-media/non-bowl)	-	16,525	14,025	49,092	41,506	4,553	125,701
Conference distributions of bowl generated revenue	11,269,620	-	-	-	-	-	11,269,620
Program sales, concessions, novelty sales, and parking	672,495	62,145	10,484	18,608	6,942	201,916	972,590
Royalties, licensing, advertisements, and sponsorships	886,715	144,472	71,727	492,815	397,512	3,118,514	5,111,755
Other operating revenues	483,641	29,858	2,000	26,080	2,724	852,215	1,396,518
Bowl revenues	1,506,003	-	-	-	-	-	1,506,003
Total operating revenues	53,503,014	11,184,901	503,498	2,127,013	1,736,889	24,552,743	93,608,058
Operating Expenses							
Athletic student aid	2,648,070	364,739	444,426	1,065,981	1,906,339	1,215,580	7,645,135
Guarantees	475,000	462,500	169,000	5,036	16,213	-	1,127,749
Coaching salaries, benefits, and bonuses paid by the University and related entities	10,125,845	2,839,726	1,210,444	3,832,671	2,853,492	-	20,862,178
Support staff/administrative salaries, benefits and bonuses paid by the University and related entities	1,923,257	823,232	253,205	491,405	415,561	15,645,211	19,551,871
Recruiting	503,900	209,704	95,109	206,858	219,821	-	1,235,392
Severance payments	-	-	-	-	-	252,088	252,088
Team travel	1,775,645	1,103,471	621,487	893,704	951,339	-	5,345,646
Sports equipment, uniforms, and supplies	1,478,959	280,308	104,090	617,328	1,354,797	1,296,866	5,132,348
Game expenses	354,087	174,175	174,450	248,951	115,880	1,965,704	3,033,247
Fundraising, marketing, and promotion	-	-	2,750	13,990	4,756	2,377,331	2,398,827
Sports camp expenses	216,817	-	-	-	-	-	216,817
Spirit groups	-	-	-	-	-	406,137	406,137
Athletic facilities debt service, leases, and rental fees	-	-	-	7,228	21,228	3,682,834	3,711,290
Direct overhead and administrative expenses	1,550,704	199,177	69,072	115,339	198,648	8,765,658	10,898,598
Medical expenses and insurance	84,530	26,255	11,141	81,824	73,418	731,278	1,008,446
Memberships and dues	69,575	44,446	20,339	81,145	127,880	56,380	399,765
Student athlete meals (nontravel)	115,908	134,710	9,832	209,128	75,946	887,259	1,432,783
Bowl expenses	1,713,555	-	-	-	-	-	1,713,555
Bowl expenses - coaching bonuses	430,000	-	-	-	-	-	430,000
Other operating expenses	933,023	388,309	44,455	704,279	168,886	3,460,266	5,699,218
Total operating expenses	24,398,875	7,050,752	3,229,800	8,574,867	8,504,204	40,742,592	92,501,090
Excess (deficiency) of revenue over expenses	<u>\$ 29,104,139</u>	<u>\$ 4,134,149</u>	<u>\$ (2,726,302)</u>	<u>\$ (6,447,854)</u>	<u>\$ (6,767,315)</u>	<u>\$ (16,189,849)</u>	<u>\$ 1,106,968</u>

Oklahoma State University
Notes to Statement of Revenues and Expenses of the University Athletics
Department and Affiliates
Year Ended June 30, 2020
(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.

Note 3: Affiliated Organization

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.

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.

Oklahoma State University
Notes to Statement of Revenues and Expenses of the University Athletics
Department and Affiliates
Year Ended June 30, 2020
(See Independent Accountant's Report on Applying Agreed-Upon Procedures)

Note 5: Long-Term Debt

The scheduled maturities of the revenue bonds and leases are as follows as of June 30, 2020:

	Bonds	Master Lease	Interest	Total
2021	\$ 1,030,000	\$ 909,083	\$ 2,301,830	\$ 4,240,913
2022	1,080,000	934,167	2,576,863	4,591,030
2023	1,135,000	961,833	2,493,105	4,589,938
2024	4,935,000	1,007,917	2,354,650	8,297,567
2025	1,350,000	1,055,333	2,223,340	4,628,673
2026 - 2030	13,015,000	6,037,000	8,656,203	27,708,203
2031 - 2034	25,235,000	5,711,083	2,341,783	33,287,866
	<u>\$ 47,780,000</u>	<u>\$ 16,616,416</u>	<u>\$ 22,947,774</u>	<u>\$ 87,344,190</u>

Supplemental Schedule

Oklahoma State University
Statement of Revenues and Expenses Variance Schedule of the University Athletics
Department and Affiliates
Year Ended June 30, 2020
(See Independent Accountant's Report on Applying Agreed-Upon Procedures)
Exhibit 2

	2020	2019	Difference	Explanation provided by Management
Revenues				
Football conference distributions of bowl generated revenue	\$ 11,269,620	\$ 10,041,024	\$ 1,228,596	Bowl Game revenue is based on the individual bowl game contracts with the Big 12. These contracts are made at the conference level.
Total conference distributions of bowl generated revenue	\$ 11,269,620	\$ 10,041,024	\$ 1,228,596	Bowl Game revenue is based on the individual bowl game contracts with the Big 12. These contracts are made at the conference level.