

**SOUTH DAKOTA BOARD OF REGENTS**

**Budget and Finance**

**AGENDA ITEM: 7 – N**

**DATE: April 2-4, 2019**

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**SUBJECT**

**FY2018 BHSU NCAA Agreed-Upon Procedures Report**

**CONTROLLING STATUTE, RULE, OR POLICY**

NCAA Division II Bylaw 6.2.3.

**BACKGROUND/DISCUSSION**

The NCAA Division II Bylaw 6.2.3. states; “At least once every three years, all expenses and revenues for or on behalf of a Division II member institution's intercollegiate athletics programs, including those by any affiliated or outside organization, agency or group of individuals (two or more), shall be subject to agreed-on procedures approved by the Division II membership... conducted for the institution by a qualified independent accountant who is not a staff member of the institution and who is selected either by the institution's president or chancellor or by an institutional administrator from outside the athletics department designated by the president or chancellor.”

**IMPACT AND RECOMMENDATIONS**

This report fulfills the FY18 reporting requirement for BHSU, a Division II university. The Independent Accountants’ Report on the Application of Agreed-Upon Procedures is attached along with the Statement of Revenues and Expenses and the Notes to the Financial Statements. The NCAA issued *Minimum Agreed upon Procedures Guidance* was used by the auditor to perform the review. Four exceptions were identified and noted in the attached Independent Accountants’ Report under item numbers 10, 13, 15 and 16. The report has been provided to the BHSU President.

**ATTACHMENTS**

Attachment I – Independent Accountants’ Report on the Application of Agreed-Upon Procedures

Attachment II – Statement of Revenues and Expenses

Attachment III – Notes to the Financial Statements

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**INFORMATIONAL ITEM**

**INDEPENDENT ACCOUNTANTS' REPORT ON THE APPLICATION  
OF AGREED-UPON PROCEDURES**

Dr. Tom Jackson, Jr., President,  
President of Black Hills State University

And

Management of the Athletics Department  
Black Hills State University

We have performed the procedures enumerated below, which were agreed to by the President of Black Hills State University (BHSU), solely to assist you in evaluating whether the accompanying statement of revenues and expenses of BHSU is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2018. BHSU's management is responsible for the statement of revenues 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:

1. We gained an understanding of the aspects of BHSU's general internal control and organizational structure as well as the internal control procedures unique to the intercollegiate athletic department to determine the processing system used to record revenues for completeness and expenditures for proper authorization.

We found no exceptions as a result of this procedure.

2. We reviewed BHSU's procedures for gathering information on the nature and extent of booster group activity for or in behalf of the institution's intercollegiate athletics program.

We found no exceptions as a result of this procedure.

3. Tests of the statement of revenues and expenses included verifying agreement between the amounts reported on this statement to the institution's and the related entities general ledger.

We found no exceptions as a result of this procedure.

4. We traced a sample of game day ticket sale documentation to BHSU's general ledger to verify proper reconciliations were performed of tickets sold to revenue received and verified it was timely and accurately deposited.

We found no exceptions as a result of this procedure.

5. Interviews were performed documenting the methodology of allocating student fees and institutional support.

We found no exceptions as a result of this procedure.

6. Interviews were performed documenting the methodology of allocating direct institutional support.

We found no exceptions as a result of this procedure.

7. We obtained documentation support indirect cost rates and recalculated indirect institutional support.

We found no exceptions as a result of this procedure.

8. A listing of contributions was obtained from the BHSU's Foundation and the Yellow Jacket Foundation. We reviewed those contributions that exceeded 10% of all contributions.

We found one donor that provided more than 10% of all contributions. No exceptions as a result of this procedure.

9. We traced a sample of In-kind donations to the agreements.

We found no exceptions as a result of this procedure.

10. While performing other audit procedures, we found one third party that provided compensation and benefits that were not reported on the statement of revenues and expenses.

An adjustment of \$254,721 was made to the statement for both receipts and expenses.

11. We traced a sample of NCAA revenue to their receipt.

We found no exceptions as a result of this procedure.

12. We traced a sample of NCAA conference distributions to their receipt.

We found no exceptions as a result of this procedure.

13. We were unable to test revenue for program sales, concessions and 50/50 drawings.

Internal controls & supporting documentation were inadequate to trace revenues. No point of sale machines are used or inventory reconciliations were performed for concessions. Additionally, no reconciliations were performed on 50/50 drawings.

14. We selected a sample of sponsorship revenues and traced to their agreement.

We found no exceptions as a result of this procedure.

15. We traced a sample of sponsorships reported to their agreements.

One sponsorship did not have a written agreement.

16. Sport camp revenues were traced from the participant list to deposit with no exceptions. No coach contracts for sport camps are available.

Internal controls were inadequate over receipting sport camp revenues. A lack of segregation of duties existed over the receipting process.

17. We obtained and reviewed endowment agreements to gain an understanding of relevant terms and conditions.

We found no exceptions as a result of this procedure.

18. We selected a sample of students receiving athletic student aid and compared total aid to the student's account and traced the student and their aid to the NCAA Membership Financial Reporting System.

We found no exceptions as a result of this procedure.

19. We compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the institution.

We found no exceptions as a result of this procedure.

20. We selected a sample of coaches and traced to their contracts and payroll records for agreement.

We found no exceptions as a result of this procedure.

21. We selected a sample of support staff/administrative personnel and traced to their contracts and payroll records for agreement.

We found no exceptions as a result of this procedure.

22. A sample of expenses related to recruiting, team travel, equipment, uniforms and supplies, game expenses, fund raising, marketing and promotion, sports camps, medical expenses and medical insurance, membership & dues, student-athlete meals, and other operating expenses were reviewed and traced to the general ledger.

We found no exceptions as a result of this procedure.

23. We confirmed the revenues and expenses of the BHSU Athletic Department's outside organizations, the BHSU Foundation and the Yellow Jacket Foundation to agree amounts with the BHSU Athletic Department's accounting records.

We found no exceptions as a result of this procedure.

24. We obtained and reviewed the audited financial statements of outside organizations audited independently of the institutional audit and any reports to management regarding matters related to the internal control structure required by National Collegiate Athletic Association regulations.

We found no exceptions as a result of this procedure.

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 accompanying statement of revenue and expenses of BHSU. 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 those specified parties.

Michele Anderson, CPA, CIA  
Director of Internal Audit

January 18, 2019

**Black Hills State University  
Athletic Department  
Statement of Revenues and Expenses  
For the Year Ended June 30, 2018**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
<b>RECEIPTS:</b>						
<b>Operating Receipts:</b>						
Ticket Sales	\$ 25,477.03	\$ 17,853.17	\$ 17,853.08	\$ 14,036.50	\$ -	\$ 75,219.78
Direct State or Other Governmental Support	-	-	-	-	-	-
Student Fees	7,042.35	-	108,064.05	228,903.74	13,704.78	357,714.92
Direct Institutional Support	487,670.30	210,494.37	107,175.89	555,203.41	542,284.01	1,902,827.98
Less - Transfers to Institution	-	-	-	-	-	-
Indirect Institutional Support (Facilities and Administrative Support)	-	-	-	-	733,870.72	733,870.72
Guarantees	-	6,000.00	3,500.00	3,180.00	-	12,680.00
Contributions	182,925.71	124,876.76	97,394.19	384,303.49	7,921.32	797,421.47
In-Kind	27,035.04	3,841.60	4,226.33	63,947.50	31.08	99,081.55
Compensation and Benefits Provided by a Third-Party	-	-	-	-	254,720.84	254,720.84
Media Rights (Broadcast, Television, Radio and Internet Rights)	-	-	-	-	-	-
NCAA (Including All Tournament Revenues)	-	-	8,705.00	23,583.82	10,428.50	42,717.32
NCAA/Conference Distributions Including All Tournament Revenues	-	-	-	55,465.45	-	55,465.45
Program Sales, Concessions, Novelty Sales and Parking	2,655.36	780.87	1,139.78	3,094.95	97,945.00	105,615.96
Royalties, Licensing, Advertisements and Sponsorships	52,165.11	6,821.59	8,426.67	123,189.93	-	190,603.30
Sports Camp Revenues	169,473.59	82,355.85	73,476.49	84,672.55	-	409,978.48
Endowment and Investment Income	66,666.55	12,029.68	23,355.97	163,052.16	-	265,104.36
Other Operating Revenue	216.59	28.32	34.99	13,575.74	21,250.00	35,105.64
<b>Operating Receipts</b>	<b>1,021,327.63</b>	<b>465,082.21</b>	<b>453,352.44</b>	<b>1,716,209.24</b>	<b>1,682,156.25</b>	<b>5,338,127.77</b>
<b>DISBURSEMENTS:</b>						
<b>Operating Disbursements:</b>						
Athletics Student Aid	\$ 372,750.00	\$ 187,495.00	\$ 172,500.00	\$ 313,773.00	\$ 1,879.80	\$ 1,048,397.80
Guarantees	-	4,500.00	4,500.00	-	-	9,000.00
Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	325,343.37	150,560.85	135,494.17	469,607.85	-	1,081,006.24
Coaching Other Compensation and Benefits Paid by a Third-Party	-	-	-	-	-	-

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities	37,644.80	18,802.05	22,674.47	12,739.91	531,896.45	623,757.68
Support Staff/Administrative Other Compensation and Benefits Paid by a Third-Party	-	-	-	-	254,720.84	254,720.84
Severance Payments	-	-	-	-	-	-
Recruiting	18,611.03	9,341.14	3,165.44	7,568.73	-	38,686.34
Team Travel	70,109.67	46,290.54	55,986.78	303,945.95	-	476,332.94
Equipment, Uniforms and Supplies	85,994.77	25,145.02	48,330.18	63,616.34	1,165.97	224,252.28
Game Expenses	14,658.16	20,371.21	21,441.20	26,900.65	22,370.66	105,741.88
Fund Raising, Marketing and Promotions	82,418.34	40,226.68	36,801.04	143,696.08	91,249.67	394,391.81
Sports Camp Expenses	64,133.04	22,486.14	20,739.30	26,528.70	-	133,887.18
Spirit Groups	-	-	-	-	-	-
Athletic Facilities Debt Service, Leases and Rental Fees	-	-	-	-	3,933.36	3,933.36
Direct Overhead and Administrative Expenses	1,608.01	2,029.31	1,106.28	5,314.30	20,342.25	30,400.15
Indirect Institutional Support (Facilities and Administrative Support)	-	-	-	-	733,870.72	733,870.72
Medical Expenses and Medical Insurance	-	219.89	-	-	14,046.12	14,266.01
Memberships and Dues	-	99.00	-	1,880.00	20,795.00	22,774.00
Student-Athlete Meals (non-travel)	17,142.90	3,830.02	448.28	7,794.27	-	29,215.47
Other Operating Disbursements	9,175.67	5,103.19	7,197.93	19,735.38	41,964.39	83,176.56
Subtotal Operating Disbursements	<u>1,099,589.76</u>	<u>536,500.04</u>	<u>530,385.07</u>	<u>1,403,101.16</u>	<u>1,738,235.23</u>	<u>5,307,811.26</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>\$ (78,262.13)</u>	<u>\$ (71,417.83)</u>	<u>\$ (77,032.63)</u>	<u>\$ 313,108.08</u>	<u>\$ (56,078.98)</u>	<u>\$ 30,316.51</u>

The accompanying notes are an integral part of this statement.

**BLACK HILLS STATE UNIVERSITY ATHLETIC DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS**

1. The Statement of Receipts and Disbursements has been prepared on the cash basis of accounting.

2. Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure* assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than capital assets.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	\$0.00	N/A	N/A
Land Improvements	\$50,000.00	Straight-line	20 years
Buildings	\$100,000.00	Straight-line	50 years
Building Improvements	\$100,000.00	Straight-line	20 years
Machinery and Equipment	\$5,000.00	Straight-line	7-22 years
Infrastructure	\$50,000.00	Straight-line	20-50 years

Land is an inexhaustible capital asset and is not depreciated.

3. Long-Term Debt

At June 30, 2018, Black Hills State University and its affiliated organizations had \$97,734 in athletically-related outstanding debt.

Period	Beginning Balance	Scheduled Payment
FY19	\$97,734	\$72,734
FY20	\$25,000	\$25,000
FY21	\$0.00	\$0.00

4. Contributions

The Black Hills State University athletic department received contributions in FY2018 in the amount of

\$24,806 from the Black Hills State University Foundation and \$1,017,597.46 from the Yellow Jacket Foundation, both affiliated organizations.

Two contributors to the Yellow Jacket Foundation exceeded 10% of aggregate contributions made to the athletics department. The majority of these contributions funded athletic scholarships and compensation and benefits provided by a third-party.