

# Western Carolina University



## Intercollegiate Athletics Program

**Report on Agreed-Upon Procedures  
Year Ended June 30, 2012**

# **Western Carolina University**

## **Intercollegiate Athletics Program**

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# BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

Dr. David O. Belcher, Chancellor  
Western Carolina University  
Cullowhee, North Carolina

We have performed the procedures enumerated below which were agreed to by the Chancellor of Western Carolina University, solely to assist you in evaluating whether the accompanying statement of revenues and expenses of the Western Carolina University intercollegiate athletics program is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2012. Western Carolina University'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 the procedures is solely the responsibility of those parties specified in the 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 Revenues and Expenses*

The procedures that we performed and our findings are detailed on Schedule 1, pages 2 - 10.

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 the Western Carolina University intercollegiate athletics program. 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.

*Burleson & Earley, P.A.*

Certified Public Accountants  
January 14, 2013

1. We tested specific elements of the control environment and accounting systems that are unique to intercollegiate athletics and have not been addressed in connection with the audit of the institution's financial statements.

*We determined the control environment and accounting systems sufficient to enable us to conduct our tests.*

**NOTES AND DISCLOSURES AGREED UPON PROCEDURES**

1. We were to review supporting documentation for each contribution of moneys, goods or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency or individual that constitutes 10 percent or more of all contributions received for intercollegiate athletics.

*All contributions were received from the Western Carolina University Foundation. Thus the foundation contributed 10 percent or more of all contributions. The contributions to the Foundation were audited in conjunction with our audit of their financial statements for the year ended June 30, 2012.*

2. We reviewed the note describing the institution's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets.

*We found this note to properly describe the institution's policies and procedures.*

3. We obtained and reviewed the institution's repayment schedules for all outstanding intercollegiate debt. We recalculated the annual maturities, agreed the annual maturities to supporting documentation and the institution's general ledger.

*No exceptions were noted.*

**AGREED UPON PROCEDURES FOR THE STATEMENT OF REVENUES AND EXPENSES**

1. We compared the schedule of revenues and expenses provided by the University staff to supporting detail, obtaining an understanding of the source for all numbers and any adjusting entries posted to the numbers.

*No exceptions were noted.*

2. We compared the schedule of revenues and expenses to prior period actual, identifying accounts with variances in excess of our firm's calculation of an amount deemed significant based on our professional judgement of materiality.

*All variances are deemed reasonable as results of specific procedures did not identify misstatements for transactions tested.*

## REVENUES

Schedule 1

### 1. Ticket Sales

We obtained schedules for the 2011 football and 2011-2012 men's basketball seasons. We selected 1 football and 1 basketball game for testing.

We counted the number of tickets remaining for each game with the results detailed below:

*Football:*

*9/10/2011 Mars Hill College*

*Tickets counted*

260

*Basketball:*

*12/28/2011 UNC-Asheville*

*Tickets counted*

64

*We determined from the event revenue reports the amount of tickets that were printed for sale.*

*The following calculations represent the number of tickets that should have been remaining based on the available information for tickets sold and comp'd.*

*Football:*

*9/10/2011 Mars Hill College*

<i>Total Tickets Available for Sale/Distribution per event report</i>	<i>7,624</i>
<i>Web sales per event report</i>	<i>(3,974)</i>
<i>Season tickets sold for this event per event report (includes certain comp tickets)</i>	<i>(1,230)</i>
<i>Student/Chancellor box office sales</i>	<i>(168)</i>
<i>Group reserved seating</i>	<i>(11)</i>
<i>Visiting team comps</i>	<i>(250)</i>
<i>WCU F/S Appreciation - Promotions</i>	<i>(540)</i>
<i>Game day sales and comps</i>	<i>(1,408)</i>
<i>Remaining Calculated</i>	<u><i>43</i></u>
<i>Remaining Counted</i>	<u><i>260</i></u>
<i>Difference</i>	<u><i>217</i></u>
<i>Tickets counted that were classified as season on the event report</i>	<u><i>122</i></u>
<i>Variance</i>	<u><u><i>(95)</i></u></u>

*Basketball:*

*12/28/2011 UNC-Asheville*

<i>Total Tickets Available for Sale/Distribution per event report</i>	<i>1,502</i>
<i>Web and season ticket sales per event report</i>	<i>(839)</i>
<i>Game day sales and comps</i>	<i>(640)</i>
<i>Remaining Calculated</i>	<u><i>23</i></u>
<i>Remaining Counted</i>	<u><i>64</i></u>
<i>Variance</i>	<u><u><i>41</i></u></u>

**REVENUES (continued)**

Schedule 1

**1. Ticket Sales (continued)**

We recalculated the gameday revenues based on ticket sales, agreeing the amounts to the cash report, and tracing the posting into the general ledger revenue accounts.

***Football:****9/10/2011 Mars Hill College*

<i>Total revenue per game day booth reports</i>	<i>\$ 10,940</i>
<i>less: credit cards sales</i>	<i>\$ (2,060)</i>
<i>Cash and check revenue</i>	<i>\$ 8,880</i>
<i>Cash and checks per cash report</i>	<i>\$ 8,880</i>
<i>Variance</i>	<i>\$ -</i>

*12/28/2011 UNC-Asheville*

<i>Total revenue per game day booth reports</i>	<i>\$ 2,022</i>
<i>less: credit cards sales</i>	<i>\$ (232)</i>
<i>Cash and check revenue</i>	<i>\$ 1,790</i>
<i>Cash and checks per cash report</i>	<i>\$ 1,790</i>
<i>Variance</i>	<i>\$ -</i>

**2. Student Fees**

We obtained an understanding of the University methodology for allocating student fees to the athletics programs.

We reviewed the accounting department's calculation of the expected student fees to be allocated to the athletic department. This calculation is made to determine that the fees being allocated to athletics by the accounting system are reasonable.

We traced all information on the schedule to its source and recalculated the totals, without exception.

*Student fees allocated to the athletic department appear to be reasonable.*

3. **Guarantees**

We selected 1 game guarantee each from football and men's basketball for testing. We selected the football game on 9/3/2011 with Georgia Tech with a guarantee amount of \$250,000 and the basketball tournament during the period 11/20/2011-11/26/2011, the South Padre Invitational, with a guarantee amount of \$110,000.

We examined the contractual agreement and traced amount to its receipt and general ledger posting.

*For each game guarantee, the amount received agreed to the contract and general ledger posting, without exception.*

4. **Direct Institutional Support**

We compared the direct institutional support recorded by the institution during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation.

*The calculation appears reasonable.*

5. **Indirect Facilities and Administrative Support**

We compared the indirect institutional support recorded by the institution during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation.

*The calculation appears reasonable.*

6. **Conference Distributions**

We reviewed the general ledger accounts for conference distributions, selecting the following for testing:

Sports Sponsorship	\$	96,402
NCAA Grant-in Aid	\$	181,692
Southern Conference	\$	80,973

We reviewed the memorandums issued by the NCAA and Southern Conference in conjunction with these distributions, noting proper classification. We also reviewed the check copies noting the proper amounts.

*No exceptions were noted.*

**7. Program Sales, Concessions, Novelty Sales & Parking**

We obtained and reviewed the University's contract with Aramark, the concession provider. Concessions are provided only for football and baseball. The contract states that Aramark shall provide an operating statement for the season and shall pay the amount pursuant to the contract within 30 days after the season ends.

The football season revenues are the largest, therefore, we selected the same football game from procedure #1 for testing. We obtained the operating statement from Aramark for each of the games, recalculating the totals. We then traced those game totals to the season's invoice provided by Aramark. The Aramark season invoice amount was traced to the check copy and to the general ledger for correct posting.

*The revenues were compared to the operating statements and traced to the general ledger without exception. The revenues were posted in the general ledger by the University on January 26, 2012. Per the agreement with Aramark, the financial reconciliation is to occur in December. The date of the reconciliation report prepared by Aramark was December 16, 2011.*

**8. Sports Camp Revenues**

We selected the men's basketball camps from June 2012 for testing. The camps were broken down into day camp, advanced skill and team camps. We obtained a schedule of camp participants and the registration form to verify the fees.

We obtained a copy of the camp financial report, to be signed by the head men's basketball coach and the director of athletics. We also obtained copies of the schedule of camp participants.

*We were able to calculate an expected revenue amount for each camp based upon the listings of campers. The revenue per camp agreed to the basketball camps report. .*

*The camp revenue per the financial report was compared to the revenue reported for that camp in the general ledger rendering a difference of \$10,085. Per review of the general ledger, there is revenue that approximates this amount in July 2011 that would have been for the FY 2011 camp.*



**1. Athletic Student Aid**

We obtained a listing of institutional student athletic aid recipients during reporting period.

We selected a sample of 10 student athletes for testing. We traced each selection to the individual student's account detail and compared the total aid to the award letter.

*There were three student athletes for which we were not able to review award letters or any other notification to the student of their award. One student athlete's award exceeded the amount applied to her account, as she withdrew from the University at the beginning of the spring semester and thus did not have athletic aid applied in the spring semester.*

**2. Guarantees Paid**

We obtained a listing for football and basketball game guarantees paid.

We selected the game on 9/10/2011 with Mars Hill College for testing. We examined the contractual agreement and traced amount to its cancelled check and general ledger posting.

*No exceptions were noted.*

**3. Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities**

We obtained a listing of coaches employed by University by sport, selecting the contracts for the head coach for track and football for testing.

We reviewed the coaches' contracts with the University to determine the financial terms and conditions of the contract. We traced the compensation to the salary schedule provided by the University. We reviewed the calendar year 2011 W-2 listing verifying that the amount per the schedule was at least the amount of the contract, as it would have been adjusted for statewide compensation increases and/or bonuses.

*None of the differences were considered significant. The football coach did not begin employment until January 2012, thus there was not a W-2 to review for him for 2011.*

4. **Support Staff/Administration Salaries, Benefits, and Bonuses Paid by the University and Related Entities**

We obtained a listing of athletic support staff/administration employed by University, selecting one employee for testing. We reviewed the calendar year 2011 W-2 listing verifying the amount per the listing.

*None of the differences were considered significant.*

5. **Recruiting**

We reviewed the University's recruiting expense policies.

We compared and agreed the University's policies to the NCAA guidelines.

*All policies appear to comply with NCAA guidelines.*

6. **Team Travel**

We reviewed the University's team travel policies.

We compared and agreed the University's policies to the NCAA guidelines.

*All policies appear to comply with NCAA guidelines.*

7. **Equipment, Uniforms, and Supplies**

We reviewed the trial balance selecting accounts based on materiality. From the selected accounts, we chose a sample of 5 transactions for testing. We examined each invoice noting the proper amount, payee, and general ledger classification. We examined a cancelled check copy obtained from the bank, noting the proper payee, amount, authorization and endorsement. Two of the transactions were journal entries. We reviewed the journal entries and supporting documentation for reasonableness.

*No exceptions were noted.*

**8. Game Expenses**

For the games selected for ticket testing under Revenue item #1, we obtained a listing of direct game expenses for the game officials.

We examined the check request document prepared by athletics, noting the payee, amount and authorization by an appropriate person from athletics. The individual amounts were traced to the general ledger noting proper vendor reference, amount, and appropriate time in issuance as compared to the date of the event.

*No exceptions were noted.*

**9. Sports Camp Expenses**

We reviewed the expense transactions for the June 2012 men's basketball camps that were in the camp notebook. The majority of the expenses associated with the camps were for campus costs such as meals and housing and for personnel costs.

*Associated costs seem reasonable.*

**10. Indirect Facilities and Administrative Support**

We compared the indirect institutional support recorded by the institution during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation.

*The calculation appears reasonable.*

**11. Medical Expenses and Medical Insurance**

We selected a sample of 1 transaction from review of the individual general ledger accounts. We examined the invoice noting proper payee, amount and general ledger classification. We examined a cancelled check copy obtained from the bank, noting proper payee, amount, authorization and endorsement.

*No exceptions were noted.*

**EXPENSES (continued)****12. Other Operating Expenses**

We selected a sample of 5 transactions from the travel accounts. We examined the invoice noting proper payee, amount and general ledger classification. We examined a cancelled check copy, noting proper payee, amount, authorization and endorsement.

*No exceptions were noted.*

**Western Carolina University**  
**Intercollegiate Athletics Program**  
**Statement of Revenues and Expenses**  
**(unaudited)**  
**Year Ended June 30, 2012**

	<b>Football</b>	<b>Men's Basketball</b>	<b>Other Sports</b>	<b>Non Program</b>	<b>Total</b>
<b>Revenues</b>					
Student Fees, Gross	\$ -	\$ -	\$ -	\$ 5,075,410	\$ 5,075,410
Ticket Sales	180,363	22,402	20,318	-	223,083
Guarantees	250,000	390,000	30,000	-	670,000
Contributions	39,792	11,501	60,341	656,699	768,333
Direct Institutional Support	-	-	216,929	242,132	459,061
Indirect Facilities and Administrative Support	317,301	64,469	240,680	326,783	949,233
NCAA/Conference Distributions	-	-	1,201	505,700	506,901
Novelty & Program Sales	-	-	-	16,641	16,641
Sport Camp Revenues	75,089	32,470	76,711	-	184,270
Royalties & Sponsorships	8,050	-	13,403	99,248	120,701
Investment Income	572	153	1,386	-	2,111
Auction	-	-	-	-	-
Registration Fees	20,174	-	95,706	41,490	157,370
Rental Income	-	-	-	82,180	82,180
Other Revenue	5,664	5,704	4,431	21,744	37,543
Surplus Property proceeds	-	-	-	-	-
Transfer from University	1,979	-	13,648	1,734,267	1,749,894
Transfer from Endowments	-	-	-	21,714	21,714
Transfer from Foundation	-	-	-	63,380	63,380
Total Operating Revenue	<u>898,984</u>	<u>526,699</u>	<u>774,754</u>	<u>8,887,388</u>	<u>11,087,825</u>
<b>Expenses</b>					
Athletic Student Aid	1,126,393	249,207	1,191,987	14,647	2,582,234
Guarantees	52,500	6,000	1,000	-	59,500
Coaches Salaries, Benefits and Bonuses Paid by the University	1,095,815	399,445	1,093,293	-	2,588,553
Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University	159,333	8,586	62,045	2,086,506	2,316,470
Recruiting	38,305	40,339	67,589	77	146,310
General Travel	3,317	5,217	44,792	67,446	120,772
Team Travel	69,527	111,493	433,674	1,219	615,913
Equipment, Uniforms and Supplies	186,002	9,378	158,275	141,943	495,598
Game Expenses	77,791	41,960	90,175	-	209,926
Insurance	-	-	-	23,210	23,210
Sports Camp Expenses	34,061	11,998	21,061	748	67,868
Direct Facilities, Maintenance and Rental	71,194	19,379	144,483	28,830	263,886
Spirit Groups	-	-	-	28,534	28,534
Indirect Facilities and Administrative Support	317,301	64,469	240,680	326,783	949,233
Investment Loss	-	-	-	101	101
Medical Expenses and Medical Insurance	-	-	-	368,491	368,491
Membership & Dues	686	996	4,033	9,670	15,385
Other Operating Expenses	140,576	21,546	97,662	494,147	753,931
Total Operating Expenditures	<u>3,372,801</u>	<u>990,013</u>	<u>3,650,749</u>	<u>3,592,352</u>	<u>11,605,915</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (2,473,817)</u>	<u>\$ (463,314)</u>	<u>\$ (2,875,995)</u>	<u>\$ 5,295,036</u>	<u>\$ (518,090)</u>

**Western Carolina University**  
**Intercollegiate Athletics Program**  
**Notes to the Statement of Revenues and Expenses**  
**(unaudited)**  
**Year Ended June 30, 2012**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** – Western Carolina University is a constituent institution of The University of North Carolina System which is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*. Western Carolina University is classified as a Division I institution by the National Collegiate Athletic Association (NCAA).

**B. Basis of Presentation** – The preceding Statement of Revenues and Expenses presents the University's intercollegiate athletics program's activity in accordance with the National Collegiate Athletic Association Financial Audit Guidelines. Those guidelines were issued on May 2, 1996, amended in August 2004, and issued on March 31, 2005. The amended legislation was to change the financial reporting timeline, to specify the agreed-upon procedures and related reporting, and to update the agreed-upon procedures to reflect the changes in reporting definitions approved by the membership. The agreed-upon procedures only require the presentation of the current funds revenues and expenses by major program. This presentation is not intended to provide a complete presentation of the program's financial position or its changes in net assets and cash flows.

**C. Basis of Accounting** – The preceding Statement of Revenues and Expenses was prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

**D. Nonmonetary Transactions** – The University reports goods and services received either by donation or in an exchange transaction at their fair value at the date of receipt. During the year, athletic clothing, equipment, and accessories were provided to the University at no charge. These items were provided in exchange for an agreement not to use other manufacturers' products. In addition, a leased vehicle was provided to the University at less than fair market value. The values of these items have been recorded as noncapital gifts in the preceding Statement of Revenues and Expenses.

During the year, coaching services were provided at no charge to the University. The values of these donations have also been recorded as noncapital gifts on the preceding Statement of Revenues and Expenses.

## NOTE 2 – CAPITAL ASSETS

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The University's intercollegiate athletics program capitalizes assets that have a value or cost in excess of \$5,000 or greater at the date of acquisition and an expected useful life of more than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 50 years for general infrastructure, 27 to 100 years for buildings, and 3 to 30 years for equipment.

A summary of changes in the capital assets for the year ended June 30, 2012, is presented as follows:

	<u>Football</u>	<u>Other Sports</u>	<u>Non Program</u>	<u>Total Athletic Facilities</u>	<u>Other Institutional Facilities</u>	<u>Total Institutional Facilities</u>
Beginning Capital Assets, as restated, Net of Depreciation	\$ 4,353,752	\$ 12,139,853	\$ 517,037	\$ 17,010,642	\$ 347,921,914	\$ 364,932,556
Additions	13,158	21,809	172,733	207,700	74,075,061	74,282,761
Deletions	67,651	163,762	5,975	237,388	54,851,350	55,088,738
Ending Capital Assets, Net of Depreciation	<u>\$ 4,299,259</u>	<u>\$ 11,997,900</u>	<u>\$ 683,795</u>	<u>\$ 16,980,954</u>	<u>\$ 367,145,625</u>	<u>\$ 384,126,579</u>

## NOTE 3 – BOND INDEBTEDNESS

The University has bonds outstanding that were utilized for the construction of athletic facilities for intercollegiate athletics. The debt service requirements for these bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 345,740	\$ 367,214	\$ 712,954
2014	356,826	302,097	658,923
2015	372,974	288,376	661,350
2016	384,696	272,212	656,908
2017	401,418	253,710	655,128
Thereafter	5,397,610	1,328,040	6,725,650
	<u>\$ 7,259,264</u>	<u>\$ 2,811,649</u>	<u>\$ 10,070,913</u>

**NOTE 4 - ENDOWMENT FUNDS**

Endowment funds have been established within Western Carolina University and the Foundation for the benefit of WCU Intercollegiate Athletics. The University Endowments recognized a decrease of \$27,710 and the Foundation increased by \$243,009 for the year ended June 30, 2012. The combined restricted net asset balance was \$3,828,948.

**NOTE 5 - THE WESTERN CAROLINA UNIVERSITY FOUNDATION**

Restricted and endowment funds have been established within The Western Carolina University Foundation for the benefit of WCU Intercollegiate Athletics. During the fiscal year, the University received direct current funds support from the Foundation. These amounts are reported as noncapital gifts and financial aid expenditures on the preceding Statement of Revenues and Expenses. The amounts provided as direct support total \$63,380.