

University of Northern Colorado

Independent Accountants' Report on Application of Agreed-Upon Procedures

June 30, 2006

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Contents

Independent Accountants' Report on Application of Agreed-Upon Procedures	1
Statement of Revenues and Expenses	4
Notes to Statement of Revenues and Expenses	5



Independent Accountants' Report on Application of Agreed-Upon Procedures

Legislative Audit Committee

We have performed the procedures enumerated below, which were agreed to by the Legislative Audit Committee, solely to assist you in evaluating whether the accompanying statement of revenues and expenses of the University of Northern Colorado (the University) is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2006. The University's management is responsible for the statement of revenues and expenses (the 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 Revenues and Expenses

Our procedures and findings are as follows:

Statement of Revenues and Expenses

- We obtained the Intercollegiate Athletics Department's Statement of Revenues and Expenditures for the year ended June 30, 2006, as prepared by the University's management. We recalculated the total amounts on the Statement, traced the amounts on the Statement to management's worksheets and agreed the amounts to the accounts on the University's general ledger. We noted no differences between the amounts in the general ledger and the amounts on the worksheets.
- We attempted to compare total actual and budget revenues and expenditures for the year. However, as budgets for the University's Intercollegiate Athletic Programs are not used on a regular basis, they were not a viable means of analysis. Instead of budget to actual comparisons, we relied on actual revenue and expenditure comparisons from the years ended June 30, 2005 to June 30, 2006. For all variations greater than \$60,000 and 25%, we discussed the fluctuations with management and obtained explanations for the changes.
- We obtained a schedule for all receipts from outside organizations in support of the University's Intercollegiate Athletic Programs and confirmed the accuracy of this schedule directly with the outside organizations.

Legislative Audit Committee

- We obtained the audited financial statements of the University of Northern Colorado Foundation, Inc. (the Foundation) for the year ended June 30, 2006. The audit report thereon dated September 18, 2006, expressed an unqualified opinion on those statements. No material weaknesses in internal control structures were noted in this audit report.

Internal Control Related to Intercollegiate Athletics

The management of the University is responsible for establishing and maintaining effective internal control over financial reporting and compliance. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control activities. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that the University complies with applicable requirements of laws, regulations, contracts and grants.

- We inquired of management regarding the accounting systems and procedures related to the Intercollegiate Athletic Programs. Based on our inquiries, no material weakness in internal control structure came to our attention.
- We obtained cash receipts worksheets related to the University's Intercollegiate Athletic Programs for the year ended June 30, 2006, as prepared by management. From these worksheets, we judgmentally selected 25 cash receipts and performed the following procedures:
 - We agreed each cash receipt to a deposit ticket.
 - We traced each cash receipt to the general ledger.
 - For all cash receipts, we obtained supporting documents (billing invoices, contracts and other agreements) and agreed the unit price.

Findings

No exceptions were noted.

- We obtained cash disbursements worksheets related to the University's Intercollegiate Athletic Programs for the year ended June 30, 2006, as prepared by management. From these worksheets, we judgmentally selected 25 cash disbursements and performed the following procedures:
 - We traced each cash disbursement to the general ledger.
 - For general procurements and expenditures, we agreed each disbursement amount to the amount on the vendor invoice, inspected invoice for proper approval and agreed the employee that approved the invoice to the list of authorized personnel provided by management.

Legislative Audit Committee

- For payroll disbursements, we agreed each disbursement to the payroll register, agreed hours worked per the payroll register to approved time cards and agreed pay rate salary or salary per payroll register entry to approved pay authorization forms.

Findings

No exceptions were noted.

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 revenues and expenses of the University. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

\s\ **BKD, LLP**

September 22, 2006

University of Northern Colorado
Statement of Revenues and Expenses
For the Year Ended June 30, 2006 (unaudited)

	Football	Basketball	Other Sports	Non-Program Specific	Total
Revenues					
Gate receipts and other fees	\$ 174,618	\$ 42,007	\$ 16,111	\$ —	\$ 232,736
Program sales	—	—	158	2,819	2,977
Guarantees	—	348,000	20,500	—	368,500
State appropriations	663,153	280,950	863,796	696,363	2,504,262
Student activity fees	120,000	112,000	370,500	574,103	1,176,603
Other income	17,106	493	18,945	146,364	182,908
Contributions					
Cash gifts – restricted	215,202	233,250	338,692	—	787,144
Northern Colorado					
Athletic Fund	449	71,578	32,322	231,164	335,513
Foundation	104,911	46,396	180,598	395,449	727,354
In-kind	<u>53,892</u>	<u>103,636</u>	<u>89,449</u>	<u>203,666</u>	<u>450,643</u>
Total revenues	<u>1,349,331</u>	<u>1,238,310</u>	<u>1,931,071</u>	<u>2,249,928</u>	<u>6,768,640</u>
Expenses					
Salaries and benefits – coaches	441,641	384,636	663,211	—	1,489,488
Salaries and benefits – other	13,971	7,130	10,905	882,305	914,311
Films	1,631	319	1,011	—	2,961
Financial aid – room and board	54,314	44,884	25,410	—	124,608
Financial aid – other	511,250	323,190	808,020	7,000	1,649,460
General and administration	244,149	128,686	228,016	752,465	1,353,316
Guarantee costs	70,000	11,900	1,088	—	82,988
Insurance	—	—	—	111,000	111,000
Medical	—	47,000	300	32,256	79,556
Official functions	8,328	16,157	27,786	2,136	54,407
Promotion and fund raising	16,625	16,625	2,000	28,500	63,750
Telephone	2,194	2,551	5,425	13,923	24,093
Training table – preseason	15,459	6,274	9,501	1,262	32,496
Travel – recruiting	12,937	23,863	41,701	—	78,501
Travel – team	206,862	159,848	443,130	—	809,840
Travel – other	54,934	23,096	37,028	60,128	175,186
Depreciation	<u>—</u>	<u>—</u>	<u>—</u>	<u>430,412</u>	<u>430,412</u>
Total expenses	<u>1,654,295</u>	<u>1,196,159</u>	<u>2,304,532</u>	<u>2,321,387</u>	<u>7,476,373</u>
Excess (deficiency) of revenues over expenses	<u>\$ (304,964)</u>	<u>\$ 42,151</u>	<u>\$ (373,461)</u>	<u>\$ (71,459)</u>	<u>\$ (707,733)</u>

University of Northern Colorado
Notes to Statement of Revenues and Expenses
June 30, 2006

Note 1: Summary of Significant Accounting Policies

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for land improvements and 3 to 10 years for equipment.

Note 2: Capital Assets

Capital assets activity for the year ended June 30 was:

	2006				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 74,008	\$ —	\$ —	\$ —	\$ 74,008
Land improvements	1,005,912	78,500	—	—	1,084,412
Non-depreciable land improvements	182,171	—	—	—	182,171
Buildings and improvements	10,844,443	—	(97,604)	—	10,746,839
Equipment and vehicles	<u>182,507</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>182,507</u>
	<u>12,289,041</u>	<u>78,500</u>	<u>(97,604)</u>	<u>—</u>	<u>12,269,937</u>
Less accumulated depreciation					
Land improvements	457,519	40,597	—	—	498,116
Buildings and improvements	4,381,057	373,359	(68,965)	—	4,685,451
Equipment and vehicles	<u>125,015</u>	<u>16,456</u>	<u>—</u>	<u>—</u>	<u>141,471</u>
	<u>4,963,591</u>	<u>430,412</u>	<u>(68,965)</u>	<u>—</u>	<u>5,325,038</u>
Net capital assets	<u>\$ 7,325,450</u>	<u>\$ (351,912)</u>	<u>\$ (28,639)</u>	<u>\$ 0</u>	<u>\$ 6,944,899</u>

Note 3: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 46% of all contributions were received from the University of Northern Colorado Foundation, Inc.