

Report on application of certain agreed-upon
procedures to assist the University in complying with
NCAA Constitution 3.2.4.16.1

Oklahoma State University

June 30, 2012

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**Report on Application of Certain Agreed-Upon Procedures to
Assist the University in Complying with NCAA Constitution
3.2.4.16.1**

Grant Thornton LLP
211 N Robinson, Suite 1200
Oklahoma City, OK 73102-7148
T 405.218.2800
F 405.218.2801
www.GrantThornton.com

Board of Regents and Management
Oklahoma State University

We have performed the procedures enumerated below, which were agreed to by the Board of Regents and management solely to assist the University in assessing compliance with National Collegiate Athletic Association (“NCAA”) Constitution 3.2.4.16.1 for the year ended June 30, 2012. Management of the University is responsible for compliance with NCAA Constitution 3.2.4.16.1. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institution of Certified Public Accountants. The sufficiency of the 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.

Our procedures and finding are as follows:

Internal Control: Policies and Procedures Related to Intercollegiate Athletics – Agreed Upon Procedures

1. We obtained an organization chart of the intercollegiate athletic department along with the University’s Athletic Department’s (the “Department”) policies and procedures manual. We obtained documentation of accounting systems and procedures. We made certain inquiries of management regarding control consciousness, competence of personnel, and protection of records and equipment. We tested the Department’s overall policies, procedures, and internal control techniques regarding operating revenues and expenditures of the intercollegiate athletic program to the extent considered necessary for purposes of expressing an opinion on the financial statements of Oklahoma State University and its intercollegiate athletic programs.
2. We toured the football equipment rooms at Boone Pickens Stadium with the equipment manager to determine the controls in place to protect the football equipment. We also observed the inventory records maintained by the Equipment Manager.
3. We held discussions with the Department’s personnel and determined the Athletic Department regularly trades tickets to vendors for services. In addition, we understand that all Department ticket trades must be approved by the Coordinator of Athletic Gifts.

Internal Control: Policies and Procedures Related to Intercollegiate Athletics – Agreed Upon Procedures - continued

4. We inquired of the Assistant Athletic Director regarding controls in place to ensure intercollegiate athletics financial aid is awarded in accordance with institutional and NCAA guidelines.
5. We inquired of the Assistant Athletic Director and the Coordinator for Athletic Eligibility regarding the controls in place to ensure that intercollegiate athletics financial aid recipients are academically eligible. We obtained the documentation used to monitor academic progress, including reports filed with the NCAA reporting academic eligibility and student financial assistance and student transcripts.

Affiliated and Outside Organizations – Agreed upon Procedures

6. We obtained the University’s procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Department.
7. In accordance with Department policy, all contributions for or on behalf of the Department are to be channeled through Oklahoma State University Foundation (the “Foundation”), a separate and legal entity from the University. Expenditures by the Foundation for or on behalf of the Department are included in the accompanying Statement of Revenues, Expenditures, and Other Changes (the “Statement”).
8. We obtained the audited financial statements of the Foundation and reconciled the revenues and expenditures included in the amounts reported in the Statement.
9. We obtained a summary of revenues and expenses for or on behalf of the Department from affiliated and outside organizations.

Athletics Department Statement of Revenues and Expenditures: Agreed-Upon Procedures

Agreed-Upon Procedures for Revenue

10. We compared tickets sold during the reporting period, complimentary tickets provided during the reported period and unsold tickets to the related revenue reported by the department in the Statement and recalculated totals for football and men’s basketball. The results of this testing are as follows:
 - For football, the Ticket Office reported ticket revenue of \$18,570,165. This amount was compared to the total revenue of \$18,575,105 as reported by the Department in the Statement, for a difference of \$4,940. This difference is attributed to year-end adjusting journal entries and away game ticket sales.
 - For men’s basketball, the Ticket Office reported ticket revenue of \$2,977,091. This amount was compared to the total revenue of \$2,976,961 as reported by the Department in the Statement, for a difference of \$130. This difference is attributed to year-end adjusting journal entries and away game tickets sales.

Athletics Department Statement of Revenues and Expenditures: Agreed-Upon Procedures - continued

Agreed-Upon Procedures for Revenue - continued

11. We compared and agreed student fees reported by the Department in the Statement to student enrollments during the reporting period. We obtained and documented an understanding of the University's methodology for allocating student fees to intercollegiate athletics programs and recalculated totals, noting no differences.
12. We selected two (2) settlement reports for away games during the period and agreed the selection to the Department's general ledger and the Statement and recalculated the total, noting no differences.

We selected two (2) contractual agreements pertaining to revenues derived from away games and guaranteed contests during the reporting period and compared and agreed the selection to the Department's general ledger and the Statement and recalculated the total, noting no differences.

13. We compared each major revenue account for contributors to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variations. For any contributions of moneys, goods or services received directly by the Department for any affiliated or outside organization, agency or group of individuals not included above that constitutes 10 percent or more of all contributions received for intercollegiate athletics during the reporting period we obtained and reviewed supporting documentation for each contribution. For each major revenue account we obtained documented an understanding of any significant variations in excess of \$300,000 and 10%. We noted that the Department does not budget for contributions. In addition, there were no contributions received directly by the Department during the reporting period.
14. We obtained the Summary of Revenues (the "Summary") from affiliated and outside organizations as of the end of the reporting period from the Department. We judgmentally selected three (3) transactions from the Summary and compared and agreed each selection to supporting documentation, the Department's general ledger and recalculated totals, noting no differences. We obtained the independent auditor's report for the Foundation as of and for the year ended June 30, 2012.
15. We compared direct state or other governmental support recorded by the Department during the reporting period with corroborative supporting documentation and recalculated totals, noting no differences.
16. We compared direct institutional support recorded by the Department during the reporting period with corroborative supporting documentation and recalculated totals, noting no differences.
17. We compared the indirect facilities and administrative support revenue recorded by the Department during the reporting period with schedules prepared by the University's accounting department and noted no differences.

Athletics Department Statement of Revenues and Expenditures: Agreed-Upon Procedures - continued

Agreed-Upon Procedures for Revenue - continued

18. We obtained and inspected agreements related to the Department's participation in revenues from tournaments during the reporting period, noting the financial terms and conditions. We compared and agreed related NCAA/Conference distribution revenues to the Department's general ledger and recalculated totals, noting no differences.
19. We obtained and inspected one (1) agreement related to the Department's participation in revenues from broadcast, television, radio, and internet rights during the reporting period, noting the financial terms and conditions. We compared and agreed related revenues to the Department's general ledger and recalculated totals, noting no differences.
20. We obtained and inspected one (1) agreement related to the Department's participation in revenues from royalties, advertisements, and sponsorships during the reporting period, noting the financial terms and conditions. We compared and agreed the related revenues to the Department's general ledger and recalculated totals, noting no differences.
21. There was no sports-camp revenue recorded by the Department during the reporting period.
22. We obtained and inspected endowment agreements for (a) M. Keith & Patty C. Miller OSU Wrestling Scholarship Fund, (b) The Baze Family Endowed Wrestling Scholarship, (c) Baloo & Maribeth Subramaniam Women's Basketball Scholarship, (d) Ed Tippens Family Basketball Scholarship Fund and (e) Bob & Joan Hert Endowment for the Center for Academic Services for Student Athletes, to gain an understanding of the relevant terms and conditions. We compared and agreed the classification and use of endowment and investment income reported in the Statement during the reporting period to the uses of income defined within the related endowment agreements and recalculated totals, noting no differences.
23. We compared and agreed each operating revenue category reported in the Statement during the reporting period to supporting schedules provided by the Department, noting no differences.
24. We compared and agreed ten (10) operating revenue receipts obtained from the operating revenue supporting schedules to adequate supporting documentation, noting no differences.
25. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variation in excess of \$300,000 and 10% between the current year amounts and the prior period. In addition, we obtained and documented an understanding of any significant variation in excess of \$50,000 between the current year amount and the budget amount.

Athletics Department Statement of Revenues and Expenditures: Agreed-Upon Procedures - continued

Agreed-Upon Procedures for Expenses

26. We judgmentally selected five (5) students from the listing of the Department student aid recipients during the reporting period. We obtained an individual student-account detail for each selection and compared total aid allocated from the related aid award letter to the student's account and recalculated totals, noting no differences.
27. We obtained and inspected two (2) away game settlement reports pertaining to expenses recorded by the Department from guaranteed contests during the reporting period. We compared and agreed related amounts expensed by the Department to the general ledger and the Statement and recalculated totals, noting no differences.
28. We obtained and inspected a listing of coaches employed by the Department and related entities during the reporting period. We selected five (5) coaches' contracts that included football, and men's and women's basketball from the above listing. We compared and agreed the financial terms and condition of each selection to the related coaching salaries, benefits, and bonuses recorded by the Department and related entities in the statement during the reporting period. The Department does not send 1099's to employees and the five coaches selected did not receive 1099's during fiscal year 2012. We obtained W-2's for the calendar year 2011 and agreed coaching salaries, benefits, and bonuses paid by the Department per the W-2's to the payroll system for 2011 and recalculated totals, noting no differences.
29. There were no coaches employed by third parties during the reporting period.
30. We selected five (5) support staff/administrative personnel employed by the Department and related entities during the reporting period. The Department does not send 1099's to employees and the five support staff/administrative personnel selected did not receive 1099's during fiscal year 2012. We obtained the W-2's for the calendar year 2011 and agreed salaries, benefits and bonuses paid by the Department per the W-2's to the payroll system and recalculated totals, noting no differences.
31. There were no support staff/administrative personnel employed by third parties during the reporting period.
32. We selected the only employee receiving severance payments from the Department during the reporting period and agreed severance payments to the related termination letter and employment record and recalculated totals, noting no differences.
33. We obtained and documented an understanding of the Department's recruiting expense policies. In addition, we compared the Department's policy to existing University and NCAA-related policies.
34. We obtained and documented an understanding of the Department's team travel policies. We compared the Department's policy to existing University and NCAA-related policies.

Athletics Department Statement of Revenues and Expenditures: Agreed-Upon Procedures - continued

Agreed-Upon Procedures for Expenses - continued

35. We obtained and documented an understanding of the Department's methodology for allocating indirect facilities support. We summed and compared the indirect facilities and administrative support expenses recorded by the Department during the reporting period with schedules prepared by the University's accounting department, noting no differences.
36. We compared and agreed each operating expense category reported in the Statement during the reporting period to supporting schedules provided by the Department, noting no differences.
37. We compared and agreed ten (10) operating expenses obtained from the above operating expense supporting schedules to adequate supporting documentation, noting no differences.
38. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variation in excess of \$300,000 and 10% between the current year amounts and the prior period. In addition, we obtained and documented an understanding of any significant variation in excess of \$50,000 between the current year amount and budget amount.

We were not engaged to and did not conduct an audit or a review of the accompanying Statement of Revenues, Expenditures, and Other Changes or any part thereof, the objective of which would be the expression of an opinion or limited assurance on the accompanying Statement of Revenues, Expenditures and Other Changes or other specified elements, accounts or items. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Further, we were not engaged to, and did not, conduct a study and evaluation of the system of internal controls of the University or its intercollegiate athletics program, the objective of which would be the expression of an opinion on the system of internal accounting controls of the University or its intercollegiate athletics program in effect during the period from July 1, 2011 through June 30, 2012. Accordingly, we do not express such an opinion. Had we performed additional procedures, or had we made a study and evaluation of the system of internal accounting controls, other matters might have come to our attention that would have been reported to you. This report relates only to the procedures specified above and does not extend to any financial statements of the University or its intercollegiate athletics program.

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

Grant Thornton LLP

Oklahoma City, Oklahoma
October 26, 2012

**INTERCOLLEGIATE ATHLETICS PROGRAM OF OKLAHOMA STATE UNIVERSITY
AND THE OKLAHOMA STATE UNIVERSITY FOUNDATION**

STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES-UNAUDITED

For the Fiscal Year Ended June 30, 2012

Operating Revenues:	Football	Men's Basketball	Women's Basketball	Men's Olympic Sports	Women's Olympic Sports	Nonprogram Specific	Total
Ticket Sales	\$ 18,575,105	\$ 2,976,961	\$ 453,365	\$ 319,064	\$ 42,818	\$ 715,315	\$ 23,082,628
Student Activity Fee	-	-	-	-	-	1,921,359	1,921,359
Guarantees	200,000	85,000	2,500	102,942	-	-	390,442
Contributions	6,365,498	4,582,560	178,478	1,035,675	605,517	13,229,674	25,997,402
Compensation/Benefits by Third Party	-	-	-	-	-	-	-
Direct State or Other Government Support	-	-	-	-	-	600,000	600,000
Direct Institutional Support	-	-	-	-	-	2,480,085	2,480,085
Indirect Facilities & Administrative Support	-	-	-	-	-	1,283,243	1,283,243
NCAA/Conference Income	11,249,803	3,592,714	11,924	191,198	121,441	7,469,889	22,636,969
Radio/TV Rights	-	-	-	-	-	4,295,000	4,295,000
Program Sales, Concessions & Parking	348,928	34,095	19,839	17,574	5,976	229,466	655,878
Royalties, Advertisements & Sponsorships	-	-	-	-	-	2,515,771	2,515,771
Sports Camp Revenue	-	-	-	-	-	-	-
Endowment and Investment Income	242,907	103,907	(6,603)	(73,640)	(19,997)	(1,239,815)	(993,241)
Other	762,288	804	-	124,634	2,967	1,514,369	2,405,062
Total Revenue	\$ 37,744,529	\$ 11,376,041	\$ 659,503	\$ 1,717,447	\$ 758,722	\$ 35,014,356	\$ 87,270,598
Expenditures and mandatory transfers:							
Financial Aid	1,551,065	248,054	248,042	659,660	1,374,850	4,122,253	8,203,924
Guarantees	450,000	125,735	240,519	52,683	5,519	-	874,456
Coaching Salaries/Benefits/Bonuses Paid by University and Related Entities	7,413,400	2,694,476	914,435	2,126,772	1,765,973	-	14,915,056
Coaching Other Compensation and Benefits Paid by Thir Support Staff/Admin Salaries/Benefits/Bonuses Paid by University and Related Entities	1,031,358	295,169	130,133	195,825	156,736	8,184,996	9,994,217
Support Staff/Admin Other Compensation Paid by Thir Severance Payments	-	-	-	-	-	50,676	50,676
Recruiting	232,373	202,947	67,897	120,557	144,896	-	768,670
Team Travel	2,191,815	759,346	364,348	855,968	830,913	69,812	5,072,202
Equipment, Uniforms and Supplies	511,199	89,117	25,795	153,326	187,920	1,026,147	1,993,504
Game Expenses	158,837	115,600	148,682	97,142	70,153	1,093,028	1,683,442
Fund Raising, Marketing and Promotion	-	-	-	-	-	1,873,078	1,873,078
Direct Facilities, Maintenance and Rental	82,567	56,335	16,362	24,973	54,816	11,223,280	11,458,333
Spirit Groups	-	-	-	-	-	338,245	338,245
Indirect Facilities and Admin Support	-	-	-	-	-	1,283,243	1,283,243
Medical Expenses and Medical Insurance	95,968	14,594	11,654	56,956	120,996	459,637	759,805
Membership and Dues	42,495	22,421	8,227	14,817	15,378	36,320	139,658
Other Operating Expenses	12,477,095	9,122,038	237,783	1,209,334	660,233	13,667,627	37,374,110
Transfers to Institution	-	-	-	-	-	-	-
Total Expenditures	26,238,172	13,745,832	2,413,877	5,568,013	5,388,383	43,428,342	96,782,619
Other Changes:							
Nonmandatory transfers to unexpended plant fund	-	-	-	-	-	-	-
Excess (deficiency) of revenue and other changes over expenditures	\$ 11,506,357	\$ (2,369,791)	\$ (1,754,374)	\$ (3,850,566)	\$ (4,629,661)	\$ (8,413,986)	\$ (9,512,021)

The accompanying notes are an integral part of this statement.

Oklahoma State University

NOTES TO INTERCOLLEGIATE ATHLETICS PROGRAM ACCOUNTS OF OKLAHOMA STATE UNIVERSITY AND THE OKLAHOMA STATE UNIVERSITY FOUNDATION STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES – UNAUDITED

Year ended June 30, 2012

NOTE A--BASIS OF PRESENTATION

The accompanying Statement of Revenues, Expenditures and Other Changes (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”) intercollegiate athletics program, 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 expenditures have been classified on a basis consistent with the account structure of the University.

The Foundation accounts for contributions received and made in accordance with the provisions of ASC Topic 958, *Not-for-Profit Entities*, with respect to receivables. Gift revenue for fiscal years 2012 and 2011 includes \$19,597,253 and \$8,835,759, respectively, of unconditional promises to give received by the Foundation. This was not included in the Statement in accordance with NCAA guidelines.

The Foundation accounts for investments held in accordance with the provisions of ASC Topic 958, *Not-for-Profit Entities*, with respect to investments. Investment income revenue for fiscal years 2012 and 2011 includes \$(1,444,760) and \$3,415,869, respectively, in net realized and unrealized (losses)/gains on investments.

NOTE B--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.

Oklahoma State University

NOTES TO INTERCOLLEGIATE ATHLETICS PROGRAM ACCOUNTS OF OKLAHOMA STATE UNIVERSITY AND THE OKLAHOMA STATE UNIVERSITY FOUNDATION STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES – UNAUDITED - CONTINUED

Year ended June 30, 2012

NOTE C--REVENUES AND EXPENDITURES RELATED TO CAPITAL TRANSACTIONS

Major capital activities in the Athletic Department are generally funded in whole or in part from non-operating sources. Capital expenditures are generally capitalized in the Athletic Department's accounting records and depreciated over the useful life of the related asset. Therefore, such capital expenditures are excluded from the accompanying Statement, and the depreciation of such capital items is reflected in the accompanying Statement as expenditures over the useful life of the related assets. The following is a roll-forward of capital assets by type for the year ending June 30, 2012:

	2012				Balance June 30, 2012
	Balance June 30, 2011	Additions	Transfers	Disposals	
COST OF CAPITAL ASSETS					
Buildings	\$ 375,708,430	\$ 137,988	\$ -	\$ -	\$ 375,846,418
Land improvements	8,483,041	-	-	-	8,483,041
Equipment	2,428,299	162,460	-	-	2,590,759
Land	39,037,764	83,002	-	-	39,120,766
Construction in progress	-	491,684	-	-	491,684
	425,657,534	875,134	-	-	426,532,668
ACCUMULATED DEPRECIATION					
Buildings	(52,508,298)	(9,219,488)	-	-	(61,727,786)
Land improvements	(6,510,534)	(378,215)	-	-	(6,888,749)
Equipment	(1,923,017)	(191,170)	-	-	(2,114,187)
	(60,941,849)	(9,788,873)	-	-	(70,730,722)
NET BOOK VALUE	\$ 364,715,685	\$ (8,913,739)	\$ -	\$ -	\$ 355,801,946

Oklahoma State University

NOTES TO INTERCOLLEGIATE ATHLETICS PROGRAM ACCOUNTS OF OKLAHOMA STATE UNIVERSITY AND THE OKLAHOMA STATE UNIVERSITY FOUNDATION STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES – UNAUDITED - CONTINUED

Year ended June 30, 2012

NOTE D--LONG-TERM DEBT

The scheduled maturities of the revenue bonds and note payable are as follows for the years ending June 30:

	Bonds	Note	Total principal	Interest	Total Payments
2013	\$ 2,170,000	\$ 635,000	\$ 2,805,000	\$ 4,034,831	\$ 6,839,831
2014	2,145,000	660,000	2,805,000	3,949,278	6,754,278
2015	2,205,000	680,000	2,885,000	3,855,927	6,740,927
2016	2,290,000	710,000	3,000,000	3,753,214	6,753,214
2017	2,375,000	740,000	3,115,000	3,640,468	6,755,468
2018-2022	13,365,000	1,570,000	14,935,000	16,317,472	31,252,472
2023-2027	16,745,000	-	16,745,000	12,774,790	29,519,790
2028-2032	20,980,000	-	20,980,000	8,471,178	29,451,178
2033-2037	18,910,000	-	18,910,000	3,185,625	22,095,625
2038-2040	<u>6,185,000</u>	<u>-</u>	<u>6,185,000</u>	<u>425,812</u>	<u>6,610,812</u>
	<u>\$87,370,000</u>	<u>\$ 4,995,000</u>	<u>\$92,365,000</u>	<u>\$60,408,595</u>	<u>\$152,773,595</u>