

GEORGE MASON UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2005**



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UNIVERSITY OFFICIALS



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

December 21, 2005

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission

Alan G. Merten
President, George Mason University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of **George Mason University**, solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1, for the year ended June 30, 2005. The University's management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's compliance with NCAA 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 the University. Consequently, we make no representation regarding 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 Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over intercollegiate athletics programs to internal control reviewed in connection with our audits of the University's financial statements. In addition, we identified and reviewed those controls unique to intercollegiate athletics programs, which were not reviewed in connection with our audit of the University's financial statements.

2. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the Department, competence of personnel, and protection of records and equipment.
3. The University provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the intercollegiate athletics programs.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified the intercollegiate athletics-related affiliated and outside organization and provided us with copies of audited financial statements for such organization for the reporting period.
5. The Intercollegiate Athletics Department prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. There were no any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2005, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of worksheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and review of actual amounts expended in comparison to budgeted amounts.

Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.

10. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We reviewed these reconciliation procedures and found such reconciliations to be accurate and agreed to amounts recorded as ticket revenue for those selected games.
11. The University does not have a separate athletic fee. Instead, it is part of the total comprehensive fee and allocated to athletics. We compared student fees reported in the Schedule to amounts reported in the accounting records and to prior year amounts for reasonableness.
12. Intercollegiate Athletics Department management provided us with a listing of game guarantee revenues, which we agreed to the accounting records. We deemed these revenues to be immaterial for detailed testing.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods, or services received directly by the Intercollegiate Athletics Department from any affiliated or outside organization, agency, or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. We vouched each individual contribution received directly by the University for its intercollegiate athletics programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Patriot Club of George Mason University Foundation, Incorporated, an affiliated organization, we noted no individual contribution, which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. Based on analytical testing, we deemed revenues from tournaments, conference distributions, and NCAA distributions to be reasonable. We deemed these revenues to be immaterial for detailed testing.
15. Intercollegiate Athletics Department management indicated that there were no agreements related to participation in revenues from broadcast, television, radio, and Internet rights.
16. Based on analytical testing, we deemed revenues from royalties, advertisements, and sponsorships to be reasonable. We deemed these revenues to be immaterial for detailed testing.
17. We reviewed the Intercollegiate Athletics Department's procedures for recording sports camps revenues and found the procedures to be adequate. We deemed these revenues to be immaterial for detailed testing.
18. Based on receipts as listed in the accounting records, we deemed other revenues collected by the intercollegiate athletics program to be immaterial for detailed testing.

Expenses

19. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
20. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. We selected individual student athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as financial aid in the student accounting system.
21. We deemed game guarantee expenses for home games during the reporting period to be immaterial and did not perform detailed testing of these expenses.
22. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals and compared amounts paid for one pay period or a bonus payment from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.
23. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
24. We obtained an understanding of the University's methodology for allocating indirect facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
25. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the intercollegiate athletics program. These disbursements were for supplies, equipment, travel, and other general expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of George Mason University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of George Mason University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the University and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

WHC/kva

GEORGE MASON UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES
OF INTERCOLLEGIATE ATHLETICS PROGRAMS
For The Year Ended June 30, 2005

	Men's Basketball	Women's Basketball	Men's Track
Operating revenues:			
Ticket sales	\$ 237,869	\$ 41,894	\$ 1,270
Student fees	-	-	-
Guarantees	7,170	15,000	-
Contributions	19,770	3,000	-
Direct institutional support	-	-	-
Indirect facilities and administrative support	-	-	-
NCAA/Conference distributions including all tournament revenues	8,497	-	850
Program sales, concessions, novelty sales, and parking	-	201	-
Royalties, advertisements, and sponsorships	-	14,070	-
Sports camp revenues	-	-	-
Endowment and investment income	-	-	-
Other	-	-	9,520
Total operating revenues	273,306	74,165	11,640
Operating expenses:			
Athletic student aid	298,042	321,954	264,386
Guarantees	3,000	2,000	-
Coaching salaries, benefits, and bonuses	461,088	309,797	122,040
Support staff/administrative salaries, benefits, and bonuses	48,825	38,122	-
Recruiting	88,327	36,806	5,438
Team travel	141,505	84,328	101,397
Equipment, uniforms, and supplies	58,974	45,056	13,843
Game expenses	36,660	24,876	-
Fund-raising, marketing, and promotions	-	-	-
Spirit groups	22,521	5,579	-
Indirect facilities and administrative support	-	-	-
Medical expenses and medical insurance	4,898	1,254	190
Memberships and dues	2,426	41,487	-
Other	17,320	40,620	12,547
Total operating expenses	1,183,586	951,879	519,841
Excess/(deficiency) of revenues over/(under) expenditures for the year	\$ (910,280)	\$ (877,714)	\$ (508,201)

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral of this Schedule.

Women's Track	Men's Soccer	Women's Soccer	Other Sports	Non-Program Specific	Total
\$ 1,270	\$ 5,520	\$ 5,249	\$ 47,782	\$ -	\$ 340,854
-	-	-	-	7,570,984	7,570,984
-	-	-	1,000	46,000	69,170
-	-	-	20,000	490,509	533,279
-	-	-	-	1,163,302	1,163,302
-	-	-	-	509,964	509,964
1,450	-	-	15,930	420,344	447,071
-	720	990	-	7,055	8,966
-	-	-	-	205,007	219,077
260	-	-	56,893	-	57,153
-	-	-	-	35,275	35,275
9,950	5,500	17,125	39,481	2,237	83,813
12,930	11,740	23,364	181,086	10,450,677	11,038,908
271,581	215,572	175,718	1,145,530	-	2,692,783
-	-	-	-	-	5,000
109,653	138,418	139,310	748,642	-	2,028,948
-	-	-	-	2,241,950	2,328,897
18,390	19,436	14,271	46,838	-	229,506
85,031	38,722	37,257	454,489	49,893	992,622
26,026	17,745	9,908	112,344	132,397	416,293
-	7,143	7,231	53,316	347,613	476,839
-	-	-	-	717,490	717,490
-	-	-	-	45,403	73,503
-	-	-	-	509,964	509,964
2,756	5,546	2,371	18,452	39,377	74,844
300	1,537	1,692	7,001	26,268	80,711
10,137	5,147	3,526	39,189	288,887	417,373
523,874	449,266	391,284	2,625,801	4,399,242	11,044,773
\$ (510,944)	\$ (437,526)	\$ (367,920)	\$ (2,444,715)	\$ 6,051,435	\$ (5,865)

GEORGE MASON UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUE AND EXPENSES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
AS OF JUNE 30, 2005

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs has been prepared on the cash basis of accounting. The purpose of the Schedule is to present a summary of cash basis receipts and disbursements of the University's intercollegiate athletics programs for the year ended June 30, 2005, and includes both those intercollegiate athletic receipts and disbursements under the direct accounting control of the University and those on behalf of the University's athletic programs by outside organizations not under the University's control. Because the Schedule presents only a selected portion of the University's activities, it is not intended to and does not present the financial position, changes in financial position, or changes in cash flows for the year ended June 30, 2005. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category, "Non-program specific."

2. RELATED PARTY TRANSACTIONS

The Schedule includes transactions of the Patriot Club of George Mason University Foundation, Inc. This Foundation was organized for fund-raising activities that either support the University or benefit specific schools within the University. The Foundation provided \$533,279 in support of University athletics in the form of direct contributions and other expenses for fiscal year ended June 30, 2005.

3. CAPITAL ASSETS

Capital assets include land, buildings and other improvements, equipment, and infrastructure assets such as sidewalks, and electrical and computer network cabling systems. Capital assets are generally defined by the University as assets with an initial cost of \$2,000 or more and an estimated useful life in excess of one year. The Intercollegiate Athletics Department follows the University policy and procedures for the approval and disposal of capital assets.

Depreciation is computed using the straight-line method over the estimated useful life of the asset with no residual value.

The following comprises athletics-related property and equipment at June 30, 2005:

Buildings	\$ 33,549,406
Construction-in-progress	895,027
Equipment	1,807,256
Improvements	3,403,943
Accumulated depreciation	<u>(16,600,921)</u>
Net property and equipment	<u>\$ 23,054,711</u>

4. VCBA NOTES PAYABLE

The University has entered into two promissory notes with the Virginia College Building Authority (VCBA) to finance intercollegiate athletic program facilities. The first note payable, issued in September 1997, was to finance the construction of the aquatic center located on the Fairfax campus. In October 2004, the University entered into another promissory note to finance an addition to the Fairfax Aquatic Center. The following schedule describes each of the notes outstanding:

<u>Bond Title</u>	<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Final Payment Due</u>	<u>Balance Outstanding at June 30, 2005</u>
Fairfax Aquatic Center	1997	\$10,340,000	3.75 - 5.00%	20 years	2017	\$ 7,610,000
Fairfax Aquatic Center (renovation)	2004	<u>6,785,000</u>	3.00 - 5.00%	17 years	2021	<u>6,785,000</u>
Total		<u>\$17,125,000</u>				<u>\$14,395,000</u>

The following schedule describes the total principal and interest on the notes outstanding:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 470,000	\$ 503,434	\$ 973,434
2007	795,000	629,928	1,424,928
2008	825,000	598,338	1,423,338
2009	860,000	564,930	1,424,930
2010	885,000	530,813	1,415,813
2011 - 2015	5,080,000	1,989,256	7,069,256
2016 - 2020	4,870,000	634,800	5,504,800
2021	<u>610,000</u>	<u>14,488</u>	<u>624,488</u>
Total	<u>\$14,395,000</u>	<u>\$5,465,987</u>	<u>\$19,860,987</u>

GEORGE MASON UNIVERSITY

BOARD OF VISITORS

As of June 30, 2005

Sidney O. Dewberry, Rector

Leonard Pomata, Vice Rector

William Page Johnson II, Secretary

David E. Anderson	Long Nguyen
Katherine Clark	Gary J. Shapiro
Richard H. Fink	Sudhakar V. Shenoy
Dennis Garcia	J. Knox Singleton
Harry F. Hopper III	William Soza
Carol Merchant Kirby	Ernst Volgenau

Byron F. Marchant

Cailan Nichols, Student Representative

Bernard Tomsa, Student Representative

ADMINISTRATIVE OFFICERS

Alan G. Merten, President

Maurice W. Scherrens, Senior Vice President

Thomas O'Connor, Athletic Director

Jeanne Medford, Assistant Athletic Director for Finance