

**VIRGINIA COMMONWEALTH UNIVERSITY
RICHMOND, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2002**



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UNIVERSITY OFFICIALS

December 11, 2002

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
and Review Commission

Dr. Eugene P. Trani, President
Virginia Commonwealth University

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

We have audited the financial statements of **Virginia Commonwealth University** as of and for the year ended June 30, 2002, and have issued our unqualified report thereon dated December 11, 2002. At the request of the President of the University, we have performed certain agreed-upon procedures to the University's Intercollegiate Athletics Programs for the fiscal year ended June 30, 2002, discussed below, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The University is responsible for the Intercollegiate Athletics Programs including preparation of the Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs. 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.

Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs - Agreed-Upon Substantive Procedures

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2002, 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 Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. 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 reviews of actual amounts expended in comparison to budgeted amounts.
- c. 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 VCU Foundation, an affiliated organization, we noted no individual contribution that constituted more than ten percent of total contributions received for Intercollegiate Athletics.

Because the above procedures “a” through “c” do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs or any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of Virginia Commonwealth University in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the President of the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of Virginia Commonwealth University or its Intercollegiate Athletics Department taken as a whole.

Internal Control Related to Intercollegiate Athletic Programs - Agreed-Upon Procedures

The management of Virginia Commonwealth University is responsible for establishing and maintaining internal control for its Intercollegiate Athletics Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. 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, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. 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.

- e. We reviewed internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletics Programs. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with the audit of the University's financial statements. Our review also included those controls unique to Intercollegiate Athletics that have not been reviewed in connection with the audit of the financial statements.
- f. We reviewed the University's procedures for monitoring booster group activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the University's internal control were more limited than would be necessary to express an opinion on internal control of Virginia Commonwealth University in effect for the year ended June 30, 2002, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to internal control over the Intercollegiate Athletic Program activities administered by the University.

This report is intended solely for the information and use of the University and authorized representatives of the National Collegiate Athletic Association 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

MSM/kva
kva:71

VIRGINIA COMMONWEALTH UNIVERSITY
SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Fiscal Year Ended June 30, 2002

	Non-Program Specific	Men's Basketball
Operating revenue:		
University fee allocation	\$ 5,784,751	\$ -
Conference and NCAA revenue sharing	218,602	-
Ticket sales	37,075	345,822
Contributions	332,491	157
Advertising, radio and television rights	174,232	-
Other	36,847	-
Total operating revenue	6,583,998	345,979
Operating expenditures:		
Coaches and faculty salaries and fringe benefits	812,093	449,714
Other salaries and wages	558,202	94,190
Financial aid	62,036	234,370
Travel, Administrative and team	127,750	109,689
Contractual services	440,105	26,519
Supplies, materials, and equipment	191,639	26,089
General administrative expenses	502,442	108,414
Current charges and obligations	(11,163)	1,083
Miscellaneous	161,805	49,479
Less: Reimbursement for E&G program support	(57,237)	-
Total operating expenditures	2,787,672	1,099,547
Excess/(Deficiency) of revenues over/(under) operating expenditures before transfers	3,796,326	(753,568)
Transfers (In)/Out:		
Mandatory	275,815	-
Nonmandatory	(228,004)	-
Total transfers	47,811	-
Net increase/(decrease)	\$ 3,748,515	\$ (753,568)

Fund balance at beginning of year

Fund balance at end of year

**Other sports include cross country, field hockey, golf, soccer, tennis and volleyball.

The accompanying Notes to the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs are an integral part of this schedule.

Men's Baseball	Women's Basketball	Other Sports**	Total
\$ -	\$ -	\$ -	\$ 5,784,751
-	-	-	218,602
13,257	8,555	(10,814)	393,895
145	13,449	40,061	386,303
-	-	-	174,232
350	-	750	37,947
13,752	22,004	29,997	6,995,730
117,730	228,120	518,653	2,126,310
29,888	1,550	41,363	725,193
128,101	312,296	954,847	1,691,650
71,491	61,928	119,500	490,358
12,594	9,276	16,361	504,855
29,576	18,600	117,850	383,754
17,777	22,244	29,966	680,843
12,653	530	4,194	7,297
18,281	21,312	52,158	303,035
-	-	-	(57,237)
438,091	675,856	1,854,892	6,856,058
(424,339)	(653,852)	(1,824,895)	139,672
-	-	-	275,815
-	-	-	(228,004)
-	-	-	47,811
<u>\$ (424,339)</u>	<u>\$ (653,852)</u>	<u>\$ (1,824,895)</u>	91,861
			<u>(287,846)</u>
			<u>\$ (195,985)</u>

VIRGINIA COMMONWEALTH UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
AS OF JUNE 30, 2002

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the modified accrual basis of accounting. The purpose of the Schedule is to present a summary of current fund and endowment fund revenues and expenditures of the intercollegiate athletic programs of the University for the year ended June 30, 2002. The amount of expenditures incurred by organizations outside the control of the University on behalf of the University's intercollegiate athletic programs are not included in either revenues or expenditures on the accompanying Schedule. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in fund balances, or current funds revenues and other additions, expenditures, transfers, and other deductions for the year then ended. Revenues and expenditures are directly identifiable with each category presented and are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. ENDOWMENT

The Athletics Department has two quasi-endowments established for the benefit of the Department. The recorded value of one of the endowments totaled \$71,059 at June 30, 2002 and \$81,506 at June 30, 2001. The second endowment was established as a result of the settlement when the University ended its affiliation with the Metro Conference. The recorded value of this endowment totaled \$53,900 at June 30, 2002 and \$577,846 at June 30, 2001. The University has entrusted all endowment funds to the VCU Fund, an affiliated foundation, for investment in the Fund's investment pool. Funds transferred to the VCU Fund are subject to the investment policies of the VCU Fund. The Fund offers no guarantees relating to loss of investment value or rate of return on investments. Further, amounts transferred to the Fund must remain with the Fund unless the University Board of Visitors approves the use of these invested funds for specific University purposes.

VIRGINIA COMMONWEALTH UNIVERSITY
Richmond, Virginia

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