



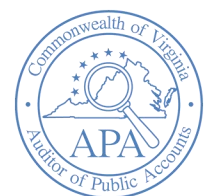
NORFOLK STATE UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2014

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



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Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 15, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
And Review Commission

Eddie N. Moore, Jr.
Interim President and Chief Executive Officer, Norfolk State University

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

We have performed the procedures enumerated below, which were agreed to by the President of **Norfolk State 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) Constitution 3.2.4.16, for the year ended June 30, 2014. University 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 audit 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. Intercollegiate Athletics Department management provided an organizational chart which we reviewed 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. Intercollegiate Athletics Department management 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 all intercollegiate athletics-related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. Intercollegiate Athletics Department management 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. Intercollegiate Athletics Department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2014, as prepared by the University and shown in this report. We recalculated the addition of the amounts in the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts in 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 work sheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the revenue and expense amounts reported in the Schedule in order to determine the reasonableness of amounts

reported therein. These techniques included trend analyses and review of actual amounts in comparison to budget estimates. We obtained and documented an understanding of significant variations.

Revenues

9. We performed a walkthrough of ticket sales operations to include cash handling, daily sales operations, and reconciliation of tickets sold to cash collected. This amount was deemed to be immaterial for detailed testing.
10. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be materially in agreement.
11. Intercollegiate Athletics Department management provided us with a listing of game guarantee agreements for away games during the reporting period. We agreed the amount in the listing to the amount reported in the Schedule. This amount was deemed to be immaterial for detailed testing.
12. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by the Intercollegiate Athletics Programs 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. Except for contributions received from the Athletic Foundation of Norfolk State University in Virginia, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs.
13. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we selected individual contribution amounts and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
14. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
15. We made inquiries of Intercollegiate Athletics Department management regarding agreements related to participation in revenues from royalties, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.

Expenses

16. 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.
17. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. We agreed the amount in the listing to the amount reported in the Schedule. This amount was deemed to be immaterial for detailed testing.
18. 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 during the fiscal year 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.
19. We discussed the Intercollegiate Athletics Department's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies. We compared these policies to existing University and NCAA policies and noted substantial agreement of those policies.
20. 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.
21. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the Intercollegiate Athletics Programs. These disbursements were for the various activities listed within the Schedule. 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 conducted an audit of any

financial statements of the Intercollegiate Athletics Department of Norfolk State 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 Norfolk State 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

EMS/alh

NORFOLK STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the Year Ended June 30, 2014

| | Football | Men's Basketball | Women's Basketball | Other Sports | Non-Program Specific | Total |
|---|---------------------|---------------------|-----------------------|------------------|-------------------------|---------------------|
| Operating revenues: | | | | | | |
| Ticket sales | \$ 393,694 | \$ 82,957 | \$ 11,861 | \$ - | \$ - | \$ 488,512 |
| Student fees | 1,835,312 | 746,114 | 976,663 | 3,557,124 | 2,498,599 | 9,613,812 |
| Guarantees | 330,000 | 242,000 | - | - | - | 572,000 |
| Contributions (Note 2) | 45,542 | 19,989 | 11,277 | 53,640 | 292,689 | 423,137 |
| NCAA/conference distributions including all tournament revenue | - | - | - | - | 865,450 | 865,450 |
| Program sales, concessions, novelty sales & parking | 17,754 | 934 | - | - | - | 18,688 |
| Other | 10,901 | 4,495 | 5,906 | 21,431 | 110,650 | 153,383 |
| Total operating revenues | <u>2,633,203</u> | <u>1,096,489</u> | <u>1,005,707</u> | <u>3,632,195</u> | <u>3,767,388</u> | <u>12,134,982</u> |
| Operating expenses: | | | | | | |
| Athletics student aid | 1,339,844 | 369,243 | 325,634 | 1,817,090 | 170,956 | 4,022,767 |
| Guarantees | - | 5,000 | 600 | - | - | 5,600 |
| Coaching salaries, benefits, and bonuses paid by the University and related entities | 874,161 | 422,733 | 357,498 | 747,041 | 48,464 | 2,449,897 |
| Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities | 1,924 | (562) | 1,166 | 47,280 | 1,834,649 | 1,884,457 |
| Recruiting | 25,420 | 50,709 | 31,531 | 13,401 | 1,022 | 122,083 |
| Team travel | 172,990 | 165,484 | 85,871 | 328,290 | 33,038 | 785,673 |
| Equipment, uniforms and supplies | 110,038 | 26,348 | 12,622 | 110,544 | 2,421 | 261,973 |
| Game expenses | 53,900 | 32,850 | 42,075 | 57,279 | 12,823 | 198,927 |
| Fundraising, marketing and promotion | 1,555 | 2,512 | - | 2,352 | 234,748 | 241,167 |
| Direct facilities, maintenance and rental | 1,282 | - | - | 7,340 | 594,516 | 603,138 |
| Medical expenses and medical insurance | 3,570 | - | - | - | 201,325 | 204,895 |
| Memberships and dues | - | 280 | 603 | 1,080 | 41,272 | 43,235 |
| Other | 376,493 | 157,474 | 129,102 | 469,132 | 867,806 | 2,000,007 |
| Total operating expenses | <u>2,961,177</u> | <u>1,232,071</u> | <u>986,702</u> | <u>3,600,829</u> | <u>4,043,040</u> | <u>12,823,819</u> |
| Excess (deficiency) of revenues over (under) expenses | <u>\$ (327,974)</u> | <u>\$ (135,582)</u> | <u>\$ 19,005</u> | <u>\$ 31,366</u> | <u>\$ (275,652)</u> | <u>\$ (688,837)</u> |

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

NORFOLK STATE UNIVERSITY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
AS OF JUNE 30, 2014

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs have been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletics programs of the University for the year ended June 30, 2014, using the accounting methods used by the University to monitor intercollegiate athletics program activities. The Schedule includes both those revenues and expenses for athletic programs under the direct accounting control of the University and those on behalf of the University's athletics programs by outside organizations not under the University's accounting control. 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 financial position or changes in cash flows for the year then ended. 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. CONTRIBUTIONS

The University received \$345,686 in on-behalf payments and \$77,450 in in-kind contributions from the Athletics Foundation of Norfolk State University which was used for academic enhancement. The amounts received are included in the accompanying schedule as contribution revenue.

3. CAPITAL ASSETS

Capital assets include land, buildings and other improvements, library materials, equipment and infrastructure assets such as parking lots, sidewalks, campus lighting, and computer network cabling systems. The University generally defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost and donated capital assets are recorded at the estimated fair market value at the date of contribution. Expenses for major capital assets and improvements are capitalized (construction-in-progress) as projects are constructed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

| | |
|---------------------------------------|------------|
| Buildings | 30 years |
| Other improvements and infrastructure | 8-25 years |
| Equipment | 2-20 years |

A summary of capital asset balances for the year ending June 30, 2014, follows:

| | |
|------------------------------------|---------------------|
| Depreciable capital assets: | |
| Buildings | \$33,821,636 |
| Equipment | 1,368,426 |
| Infrastructure | 103,500 |
| Other improvements | <u>34,840</u> |
| Total depreciable capital assets | <u>35,328,402</u> |
| Less accumulated depreciation for: | |
| Buildings | 21,935,349 |
| Equipment | 294,381 |
| Infrastructure | 42,263 |
| Other improvements | <u>28,066</u> |
| Total accumulated depreciation | <u>22,300,059</u> |
| Total capital assets, net | <u>\$13,028,343</u> |

4. LONG-TERM DEBT

The University issued General Revenue Pledged Bonds in 1996 for \$9,260,000 to finance construction of a sports stadium. The bonds will be repaid with general operating revenue through 2018.

| <u>Athletic Facility:</u> | <u>Interest Rates</u> <u>(Percent)</u> | <u>Maturity</u> | <u>Balance at</u> <u>June 30, 2014</u> |
|------------------------------------|---|-----------------|---|
| Dick Price Stadium Series 1996 (d) | 5.125-5.375 | 2018 | \$2,555,000 |

| <u>Year ending</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|--------------------|------------------|
| 2015 | \$ 590,000 | \$136,899 |
| 2016 | 620,000 | 105,619 |
| 2017 | 655,000 | 72,294 |
| 2018 | <u>690,000</u> | <u>37,088</u> |
| Total | <u>\$2,555,000</u> | <u>\$351,900</u> |

5. ADMINISTRATIVE COST RECOVERIES

The University recovers from each auxiliary enterprise an amount to reimburse for the cost of administrative support. For the year ended June 30, 2014, the University recovered \$1,396,020 of auxiliary support costs from the intercollegiate athletics department as reflected in the Schedule.

NORFOLK STATE UNIVERSITY

Norfolk, VA

Thomas Chewning, Rector

Lloyd Banks, Jr., Vice Rector

Dr. Byron L. Cherry, Sr.

Bryan D. Cuffee

D. Mychael Dickerson

Dr. Deborah M. DiCroce

Edward L. Hamm, Jr.

Lula B. Holland

Peter J. Kao

Christel L. Lewis

Beth Murphy

Michael D. Rochelle

Dr. Melvin T. Stith

UNIVERSITY OFFICIALS

Eddie N. Moore, Jr., Interim President and Chief Executive Officer

Marty L. Miller, Director of Intercollegiate Athletics Programs