

VIRGINIA COMMONWEALTH UNIVERSITY

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2004**



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Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts

P.O. Box 1295

Richmond, Virginia 23218

December 22, 2004

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
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, 2004, and have issued our unqualified report thereon dated December 22, 2004. 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, 2004, 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 Athletics 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, 2004, 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 review 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 received. We noted no individual contribution which constituted more than 10 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 Athletics 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 change 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 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 financial statements. Our review also included those controls unique to Intercollegiate Athletics which have not been reviewed in connection with the audit of the financial statements.

- f. We reviewed the University 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, 2004, 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 Athletics 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:whb
whb:93

VIRGINIA COMMONWEALTH UNIVERSITY
SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Fiscal Year Ended June 30, 2004

	Non-Program Specific	Men's Basketball	Men's Baseball
Operating revenue:			
University fee allocation	\$ 6,300,399	\$ -	\$ -
Conference and NCAA revenue sharing	318,019	-	-
Ticket sales	46,863	363,957	22,123
Contributions	482,294	750	3,290
Advertising, radio, and television rights	152,550	-	-
Other	76,249	11	475
Total operating revenue	7,376,374	364,718	25,888
Operating expenditures:			
Coaches and faculty salaries, and fringe benefits	1,023,601	385,892	155,080
Other salaries and wages	469,778	103,315	27,400
Financial aid	87,213	258,598	188,375
Travel, administrative and team	178,401	137,349	79,391
Contractual services	445,348	49,181	8,228
Supplies, materials, and equipment	196,307	31,156	21,907
General administrative expenses	505,021	89,185	21,959
Current charges and obligations	148,556	792	186
Miscellaneous	103,314	27,729	11,154
Less: reimbursement for E&G program support	1,129	-	-
Total operating expenditures	3,158,668	1,083,197	513,680
Excess/(deficiency) of revenues over/(under) operating expenditures before transfers	4,217,706	(718,479)	(487,792)
Transfers (in)/out:			
Mandatory	237,731	-	-
Nonmandatory	-	-	-
Total transfers	237,731	-	-
Net increase/(decrease)	\$ 3,979,975	\$ (718,479)	\$ (487,792)

Fund balance (deficit) at beginning of year

Fund balance (deficit) 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.

Women's Basketball	Other Sports**	Total
\$ -	\$ 8,191	\$ 6,308,590
-	-	318,019
2,589	21,383	456,915
1,038	56,696	544,068
-	-	152,550
86	3,820	80,641
3,713	90,090	7,860,783
265,766	657,710	2,488,049
11,758	25,914	638,165
287,447	1,285,049	2,106,682
67,729	229,822	692,692
28,413	46,671	577,841
22,208	76,923	348,501
46,574	33,971	696,710
594	4,000	154,128
16,043	38,733	196,973
-	-	1,129
746,532	2,398,793	7,900,870
(742,819)	(2,308,703)	(40,087)
-	-	237,731
-	(1,353)	(1,353)
-	(1,353)	236,379
<u>\$ (742,819)</u>	<u>\$ (2,307,350)</u>	(276,466)
		(258,272)
		<u>\$ (534,738)</u>

VIRGINIA COMMONWEALTH UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
AS OF JUNE 30, 2004

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, 2004. 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 financial position, or cash flows 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 \$74,349 at June 30, 2004 and \$67,843 at June 30, 2003. 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 \$45,858 at June 30, 2004 and \$54,771 at June 30, 2003. The University has entrusted all endowment funds to the VCU Foundation, for investment in the Foundation's investment pool. Funds transferred to the Foundation are subject to the investment policies of the Foundation. The Foundation offers no guarantees relating to loss of investment value or rate of return on investments. Further, amounts transferred to the Foundation must remain with the Foundation 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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ADMINISTRATIVE OFFICERS

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Richard L. Sander
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Jeffrey E. Cupps
Senior Associate Athletic Director for Business Affairs