

**NORFOLK STATE UNIVERSITY**

**INTERCOLLEGIATE ATHLETICS PROGRAMS  
FOR THE YEAR ENDED  
JUNE 30, 2011**



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# Commonwealth of Virginia

## *Auditor of Public Accounts*

Walter J. Kucharski  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

January 13, 2012

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable Charles J. Colgan  
Chairman, Joint Legislative Audit  
And Review Commission

Tony Atwater, Ph.D.  
President, Norfolk State 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 **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 3.2.4.16.1, for the year ended June 30, 2011. 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 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 audits 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; however, was unable to provide 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 did not provide 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, 2011, 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. 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. 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 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 Norfolk State University Athletics Foundation, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs.
12. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we deemed total contributions to be immaterial for detailed testing.
13. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. This amount was deemed to be immaterial for detailed testing.
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. This amount was deemed to be immaterial for detailed testing.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.
16. Based on receipts as listed in the accounting records, we selected and tested collections by the Intercollegiate Athletics Programs. We compared and agreed the selected operating receipts to adequate supporting documentation. We found all reviewed amounts to be in agreement with supporting documentation, properly recorded in the accounting records, and deposited promptly and intact.

#### Expenses

17. 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.
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 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.

19. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing.
20. 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.
21. 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.
22. 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 supplies, equipment, travel, and other general operating 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 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

AWP/clj

## SCHEDULE

NORFOLK STATE UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENSES  
OF INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the Year Ended June 30, 2011

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Revenues:						
Ticket sales	\$ 289,305	\$ 60,110	\$ 12,080	\$ -	\$ 602	\$ 362,097
Student activity fees	2,113,238	650,835	1,015,878	3,568,023	2,679,536	10,027,510
Game guarantees	250,000	300,000	1,500	-	-	551,500
Contributions	11,738	4,008	269	46,059	247,254	309,328
NCAA and conference distributions	-	-	-	-	563,357	563,357
Program sales, concessions, novelty sales and parking	-	-	-	-	39,140	39,140
Royalties, licensing, advertisements and sponsorships	23,380	-	15,373	-	42,147	80,900
Other	-	-	-	2,814	153,899	156,713
Total revenues	2,687,661	1,014,953	1,045,100	3,616,896	3,725,935	12,090,545
Expenses:						
Financial aid	1,149,884	335,642	296,808	1,484,191	187,674	3,454,199
Game guarantees	50,000	2,500	-	-	-	52,500
Coaching salaries, benefits, and bonuses paid by the University	731,853	285,630	292,329	623,875	54,497	1,988,184
Administrative salaries, benefits, and bonuses paid by the University	-	-	-	-	1,310,342	1,310,342
Recruiting	27,678	24,112	24,916	14,424	364	91,494
Travel	111,860	186,825	82,777	471,393	835	853,690
Uniforms, supplies, and equipment	53,648	19,387	18,005	125,209	7,377	223,626
Game expenses	44,300	27,990	38,010	50,773	82,616	243,689
Marketing and promotion	1,430	-	-	6,475	200,963	208,868
Sports camp expenses	-	-	-	240	-	240
Direct facilities, maintenance, and rental	7,634	151	79	9,210	514,725	531,799
Medical expenses and medical insurance	7,834	-	-	42	175,568	183,444
Memberships and dues	-	400	435	2,260	42,886	45,981
Other	573,643	211,254	180,602	803,690	946,628	2,715,817
Total expenses	2,759,764	1,093,891	933,961	3,591,782	3,524,475	11,903,873
Excess/(deficiency) of revenues over/(under) expenses	\$ (72,103)	\$ (78,938)	\$ 111,139	\$ 25,114	\$ 201,460	\$ 186,672

The accompanying Notes to 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  
FOR THE YEAR ENDED JUNE 30, 2011

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs has 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, 2011, 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 a \$425,782 contribution from the National Collegiate Athletic Association which was used for academic enhancement and is included in the NCAA and conference distribution line in the accompanying schedule. The University received an additional \$309,328 in on behalf payments from the Athletics Foundation of Norfolk State University which is included in the accompanying schedule as contribution revenue.

3. CAPITAL ASSETS

Capital assets include buildings and other improvements, 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 two years. 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	4-20 years

A summary of capital asset balances for the year ending June 30, 2011 follows:

Depreciable capital assets:	
Buildings	\$32,620,713
Equipment	35,286
Infrastructure	103,500
Other improvements	<u>34,840</u>
Total depreciable capital assets	<u>32,794,339</u>
Less accumulated depreciation for:	
Buildings	19,028,133
Equipment	35,286
Infrastructure	26,738
Other improvements	<u>21,098</u>
Total accumulated depreciation	<u>19,111,255</u>
Total capital assets, Net	<u>\$13,683,084</u>

#### 4. LONG TERM DEBT

The University issued General Revenue Pledge 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, 2011</u>
Dick Price Stadium Series 1996 (d)	5.000-5.375	2018	4,155,000

  

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	505,000	220,636
2013	535,000	194,376
2014	560,000	166,289
2015	590,000	136,889
2016	620,000	105,619
2017-2021	<u>1,345,000</u>	<u>109,382</u>
Total	<u>4,155,000</u>	<u>933,191</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, 2011, the University recovered \$1,939,945 of auxiliary support costs from the intercollegiate athletics department as reflected in the Schedule.

NORFOLK STATE UNIVERSITY  
Norfolk, Virginia

BOARD OF VISITORS  
As of June 30, 2011

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Gary T. McCollum, Vice Rector

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OFFICIALS  
As of January 6, 2012

Tony Atwater, President

Marty L. Miller, Athletics Director

Kim Luckes, Executive Vice President and COO

Regina V. K. Williams, Vice President for Finance and Administration

Sandra J. Deloatch, Interim Provost and Vice President for Student Affairs

Joseph C. Hall, Interim Vice President for Research and Economic Development

Phillip D. Adams, Vice President for University Advancement