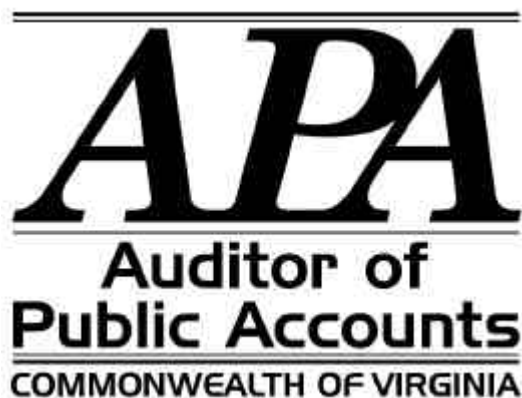


**NORFOLK STATE UNIVERSITY
NORFOLK, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2001**



- TABLE OF CONTENTS -

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

SCHEDULE:

Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs

Notes to the Schedule of Revenues and Expenditures of Intercollegiate
Athletic Programs

UNIVERSITY OFFICIALS

June 14, 2002

The Honorable Mark R. Warner
Governor of Virginia

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

Dr. Marie V. McDemmond
President, Norfolk State University

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

We have audited the financial statements of **Norfolk State University** as of and for the year ended June 30, 2001, and have issued our unqualified report thereon dated June 14, 2002. At the request of the President of the University, we have performed agreed-upon procedures to the University's Intercollegiate Athletics Programs for the fiscal year ended June 30, 2001, 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 Athletic 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 Athletic Programs (Schedule) for the year ended June 30, 2001, 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 Athletic Department's accounts in the accounting records. We noted no differences between the amounts in the Athletic 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 reviewed the accounting records to identify significant contributions from any outside organizations, group, foundation, or individual. The majority of all gifts and contributions are received through the Athletic Foundation of Norfolk State University, Inc. and an NCAA grant. We noted no other individual contributions received directly by the University for its Intercollegiate Athletic Programs, which constituted more than ten percent of all 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 Athletic 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, items, or the Schedule should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletic Department of Norfolk State 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 Norfolk State University or its Intercollegiate Athletics Department taken as a whole.

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

The management of Norfolk State University is responsible for establishing and maintaining internal control for its Intercollegiate Athletic 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 the 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 Athletic Programs. We reviewed the relationship of internal control over Intercollegiate Athletic 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 Programs that have not been reviewed in connection with the audit of the University's financial statements.
- f. We reviewed the University's procedures for monitoring activities of the Norfolk State University Athletic Foundation. The President of the University and the Athletic Director are ex-officio members of the Foundation's Board. Also, the Athletic Foundation is audited annually by an independent certified public accountant. The Intercollegiate Athletics Department receives a copy of the resulting report. It should be noted that booster groups make no payments for or on behalf of the Intercollegiate Athletics Department.

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 Norfolk State University in effect for the year ended June 30, 2001, 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

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NORFOLK STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENDITURES
OF INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 2001

	Administrative and General	Football	Men's Basketball	Women's Basketball	Other Sports*	Total
Operating revenues:						
Student activity fees	\$ 2,086,148	\$ 1,538,669	\$ 515,137	\$ 513,500	\$ 1,468,607	\$ 6,122,061
Ticket sales	-	229,322	47,732	135	-	277,189
Program sales	-	1,809	96	-	-	1,905
Concessions	5,100	6,000	75	-	-	11,175
Facilities rentals	4,405	-	-	-	-	4,405
Game guarantees	-	20,000	84,680	1,500	-	106,180
Gifts and grants	204,000	-	-	-	-	204,000
Other income	181,407	18,336	10,837	-	10,225	220,805
Total operating revenues	2,481,060	1,814,136	658,557	515,135	1,478,832	6,947,720
Operating expenditures:						
Salaries and fringe benefits	650,903	418,323	198,580	189,431	271,434	1,728,671
Travel	15,020	102,971	100,960	62,305	198,558	479,814
Financial aid	-	535,374	156,662	161,522	665,477	1,519,035
Maintenance and general	499,864	140,970	37,534	22,645	165,394	866,407
Equipment	13,010	148,665	-	-	1,139	162,814
Publicity	4,396	-	-	-	-	4,396
Telephone	30,214	3,348	2,456	-	2,043	38,061
Scholarships	100,090	-	-	-	-	100,090
Insurance	38,400	-	-	-	-	38,400
Auxiliary administration	179,986	200,421	73,684	64,731	193,649	712,471
Total operating expenditures	1,531,883	1,550,072	569,876	500,634	1,497,694	5,650,159
Excess of revenues over operating expenses before transfers	949,177	264,064	88,681	14,501	(18,862)	1,297,561
Mandatory transfers - debt service	-	(719,386)	(241,755)	-	-	(961,141)
Non-mandatory transfers - from other funds	437,496	-	-	-	-	437,496
Net increase (decrease) in fund balances	\$ 1,386,673	\$ (455,322)	\$ (153,074)	\$ 14,501	\$ (18,862)	773,916
Fund balances at July 1, 2000, as restated (Note 1)						(1,542,995)
Fund balance at June 30, 2001						\$ (769,079)

*Other sports include baseball, men's track & field, men's tennis, wrestling, softball, women's track & field, women's tennis, women's volleyball, and bowling.

Note 1: Beginning fund balances have been restated to reflect prior year restricted expenditures totaling \$20,806.

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

NORFOLK STATE UNIVERSITY

NOTES TO SCHEDULE OF REVENUES AND EXPENDITURES OF

INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 2001

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of current fund revenues and expenditures of the Intercollegiate Athletic Programs of the University for the year ended June 30, 2001. 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.

2. ALLOCATION OF ATHLETIC OVERHEAD COSTS

The University recovers overhead costs such as utilities and custodial services from all auxiliary enterprises on campus, including Athletics. The amount recovered is a percentage of each auxiliary enterprise's expenditures during the fiscal year. In the fiscal year ended June 30, 2001, the overhead rate charged to Athletics and other auxiliary enterprises was 12.22 percent.

3. BONDS PAYABLE

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.

NORFOLK STATE UNIVERSITY
Norfolk, Virginia

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