

GEORGE MASON 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 9, 2012

The Honorable Robert F. McDonnell
Governor of Virginia

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

Dr. Alan G. Merten
President, George Mason 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 **George Mason 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 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, 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. We reviewed these reconciliations for selected games and found such reconciliations to be accurate and agreed them to the amounts recorded as ticket revenue for those games.

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 Patriot Club, 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 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.
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 royalties, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.
15. 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

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 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.
18. 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.

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 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 George Mason 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 George Mason 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

GEORGE MASON UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2011

	Men's Basketball	Women's Basketball	Men's Soccer	Women's Soccer	Men's Track	Women's Track	Other Sports	Non-Program Specific	Total
Operating revenues:									
Ticket sales	\$ 602,586	\$ 17,828	\$ 10,538	\$ 5,093	\$ -	\$ -	\$ 49,061	\$ 6,905	\$ 692,011
Student fees	-	-	-	-	-	-	-	12,196,893	12,196,893
Guarantees	-	12,000	-	-	-	-	-	-	12,000
Contributions (Note 2)	467	-	-	-	-	-	5,000	1,016,903	1,022,370
Direct institutional support	-	-	-	-	-	-	15,500	1,511,139	1,526,639
Indirect facilities and administrative support	-	-	-	-	-	-	-	922,362	922,362
NCAA conference distributions including all tournament revenues	-	-	-	-	4,367	4,367	960	1,056,973	1,066,667
Program sales, concessions, novelty sales, and parking	-	-	-	-	-	-	129	3,724	3,853
Royalties, advertisements and sponsorships	-	-	-	-	-	-	-	320,617	320,617
Other	(316)	-	4,769	10,113	12,033	12,041	52,896	19,790	111,326
Total operating revenues	602,737	29,828	15,307	15,206	16,400	16,408	123,546	17,055,306	17,874,738
Operating expenses:									
Athletic student aid	-	-	-	-	-	-	-	4,449,495	4,449,495
Guarantees	144,000	10,500	-	-	-	-	5,000	-	159,500
Coaching salaries, benefits, and bonuses	1,222,810	441,308	187,262	182,891	180,562	180,562	1,079,361	-	3,474,756
Support staff and administrative salaries, benefits and bonuses	109,577	92,083	-	1,900	1,157	1,157	7,337	3,693,602	3,906,813
Recruiting	95,881	53,667	21,073	15,258	8,829	8,829	78,345	-	281,882
Team travel	354,859	161,759	68,661	53,459	175,650	175,650	596,541	182,871	1,769,450
Equipment, uniforms, and supplies	87,069	44,325	22,381	13,496	29,852	29,852	210,752	274,465	712,192
Game expenses	57,834	41,289	8,409	4,015	9,576	9,576	74,053	470,367	675,119
Fund-raising, marketing and promotions	-	-	-	-	-	-	-	1,330,568	1,330,568
Spirit groups	9,075	5,907	-	-	-	-	-	22,136	37,118
Indirect facilities and administrative support	-	-	-	-	-	-	-	922,362	922,362
Medical expenses and medical insurance	-	-	-	-	-	-	-	212,978	212,978
Other	23,357	5,434	3,482	2,524	14,819	14,819	58,525	358,729	481,689
Total operating expenses	2,104,462	856,272	311,268	273,543	420,445	420,445	2,109,914	11,917,573	18,413,922
Excess (deficiency) of revenues over/(under) expenses for the year	<u>\$ (1,501,725)</u>	<u>\$ (826,444)</u>	<u>\$ (295,961)</u>	<u>\$ (258,337)</u>	<u>\$ (404,045)</u>	<u>\$ (404,037)</u>	<u>\$ (1,986,368)</u>	<u>\$ 5,137,733</u>	<u>\$ (539,184)</u>

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

GEORGE MASON UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUE AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
AS OF JUNE 30, 2011

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs has been prepared on the cash basis of accounting. The purpose of the Schedule is to present a summary of cash basis receipts and disbursements of the University's intercollegiate athletics programs for the year ended June 30, 2011, and includes both those intercollegiate athletic receipts and disbursements under the direct accounting control of the University and those on behalf of the University's athletic programs by outside organizations not under the University's control. Because the Schedule presents only a selected portion of the University's activities, it is not intended to and does not present the financial position, changes in financial position, or changes in cash flows for the fiscal year ended June 30, 2011. 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. RELATED PARTY TRANSACTIONS

The Schedule includes transactions of the Patriot Club of George Mason University Foundation, Inc. This Foundation was organized for fund-raising activities that either support the University or benefit specific schools within the University. The Foundation provided \$1,016,903 in support of University athletics in the form of direct contributions and other expenses for the fiscal year ended June 30, 2011.

3. CAPITAL ASSETS

Capital assets include buildings and other improvements, equipment, and infrastructure. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Athletics follows the University policy and procedures for the approval and disposal of capital assets. Depreciation is computed using the straight-line method over the estimated useful life of the asset with no residual value.

The following comprises athletics-related property and equipment at June 30, 2011:

Buildings	\$ 86,267,709
Construction in progress	2,252,750
Equipment	3,591,718
Improvements	8,906,635
Accumulated depreciation	<u>(28,582,458)</u>
Net property and equipment	<u>\$ 72,436,354</u>

4. VCBA NOTES PAYABLE

The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue secures these notes. The following schedule describes each of the athletically related notes outstanding:

<u>Bond Title</u>	<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Final Payment Due</u>	<u>Balance Outstanding a June 30, 2011</u>
Fairfax Aquatic Center (renovation)	2004	\$ 6,785,000	3.0 - 5.0%	16 Years	2021	\$ 5,000,000
VCBA 2004 B (partial refunding of 1997A, Fairfax Aquatic Center)	2004	4,940,000	3.0 - 5.0%	12 Years	2017	3,855,000
PE Building (addition)	2006	6,035,000	3.0 - 5.0%	22 Years	2029	5,660,000
PE Building (addition, Phase 2)	2006	2,800,000	3.0 - 5.0%	22 Years	2029	2,625,000
Patriot Center (addition/renovation)	2006	8,200,000	3.0 - 5.0%	21 Years	2028	7,415,000
PE Building (addition, RB2)	2007	8,555,000	4.5 - 5.0%	20 Years	2028	7,985,000
PE Building (addition, Phase 2, RB2)	2007	3,820,000	4.5 - 5.0%	20 Years	2028	3,565,000
Softball Field Improvements	2007	1,510,000	5.00%	10 Years	2018	1,135,000
VCBA 2007 B (refunding 1997A, Fairfax Aquatic)	2007	1,300,979	4.0 - 4.25%	10 Years	2018	792,299
Patriot Center (renovation, Phase 2)	2009	1,860,000	2.1 - 5.0%	20 Years	2029	1,790,000
PE Building, Phase I	2009	2,750,000	2.1 to 5.0%	20 Years	2029	2,655,000
PE Building, Phase II	2009	5,245,000	2.1 to 5.0%	20 Years	2029	5,065,000
Fieldhouse Life/Safety/Code Renovation	2010	1,395,000	3.75 to 5.5%	20 Years	2031	1,395,000
Repair Aquatic and Fitness Center HVAC	2010	<u>2,325,000</u>	2.0 to 5.0%	10 Years	2021	<u>2,325,000</u>
Total		<u>\$57,520,979</u>				<u>\$51,262,299</u>

The following schedule describes the total principal and interest on the notes outstanding:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,676,830	\$ 2,247,965	\$ 4,924,795
2013	2,856,830	2,165,593	5,022,423
2014	3,001,830	2,021,705	5,023,535
2015	3,146,830	1,873,092	5,019,922
2016	3,300,000	1,716,905	5,016,905
2017-2021	15,964,979	6,209,685	22,174,664
2022-2026	12,725,000	2,965,031	15,690,031
2027-2031	<u>7,590,000</u>	<u>416,389</u>	<u>8,006,389</u>
Total	<u>\$51,262,299</u>	<u>\$19,616,365</u>	<u>\$70,878,664</u>

GEORGE MASON UNIVERSITY

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