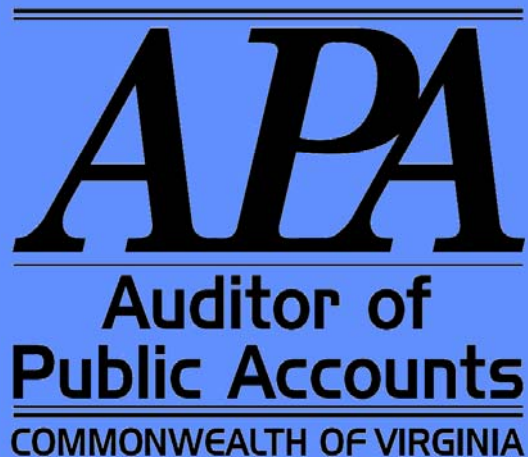


**NORFOLK STATE UNIVERSITY**

**INTERCOLLEGIATE ATHLETICS PROGRAMS  
FOR THE YEAR ENDED  
JUNE 30, 2009**



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**Walter J. Kucharski, Auditor**

# **Commonwealth of Virginia**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

December 3, 2009

The Honorable Timothy M. Kaine  
Governor of Virginia

The Honorable M. Kirkland Cox  
Chairman, Joint Legislative Audit  
And Review Commission

Carolyn W. Meyers, PhD  
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) Bylaw 6.2.3, for the year ended June 30, 2009. The University's management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) 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 audit of the University's financial statements.

2. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it 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. The University 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. The Intercollegiate Athletics Department 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. We obtained any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations and inquired as to the corrective action taken in response to such comments. We noted that the affiliated organizations had been audited by independent public accountants and had planned adequate corrective action for any internal control findings.

#### Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2009, 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 worksheet adjustments with management and are satisfied that the adjustments are appropriate.
8. 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.

#### Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
10. 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 to amounts recorded as ticket revenue for those games.

11. 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.
12. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and verified the mathematical accuracy and coding of the settlement reports and game guarantee agreements. We found that revenue was properly computed and deposited promptly and intact.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods, or services received directly by the Intercollegiate Athletics Department 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. We vouched each individual contribution received directly by the University for its intercollegiate athletics programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Norfolk State University Athletic Foundation, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. From the summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations, we selected and tested receipts of such revenue and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
15. 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 inspected the agreements and verified the mathematical accuracy and coding of the distribution amounts. We found that revenue was properly computed and deposited promptly and intact.
16. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. We selected and tested receipts of such revenue and, for those items; we inspected the agreements and verified the mathematical accuracy and coding of the payment amounts. We found that revenue was properly computed and deposited promptly and intact.
17. Based on receipts as listed in the accounting records, we selected and tested collections by the intercollegiate athletics program. We compared and agreed the selected operating receipts to adequate supporting documentation. We found all reviewed amounts to be in agreement with supporting documentation and properly recorded in the accounting records.

#### Expenses

18. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.

19. 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
20. 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.
21. We discussed the University's recruiting expenses and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
22. 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.
23. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the intercollegiate athletics program. These disbursements were for supplies, equipment, travel, and other general 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 do 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

HV/clj

## **SCHEDULE**

NORFOLK STATE UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENSES  
OF INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the Year Ended June 30, 2009

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 339,171	\$ 45,773	\$ 6,110	\$ -	\$ -	\$ 391,054
Student activity fees	1,984,707	585,830	588,563	2,228,363	2,958,331	8,345,794
Game guarantees	165,000	232,000	34,000	-	-	431,000
Contributions	80,141	29,186	23,768	47,041	108,877	289,013
NCAA and conference distributions	-	-	-	-	60,255	60,255
Program sales, concessions, novelty sales & parking	-	-	-	-	26,704	26,704
Royalties, licensing, advertisements and sponsorships	7,979	-	5,100	-	33,272	46,351
Other	2,380	4,377	-	3,992	325,631	336,380
Total operating revenues	<u>2,579,378</u>	<u>897,166</u>	<u>657,541</u>	<u>2,279,396</u>	<u>3,513,070</u>	<u>9,926,551</u>
Operating expenses:						
Financial aid	1,019,164	282,185	214,820	1,299,638	168,754	2,984,561
Game guarantees	45,000	-	600	-	-	45,600
Coaching salaries, benefits, and bonuses paid by the University	664,285	221,411	229,457	463,741	-	1,578,894
Administrative salaries, benefits, and bonuses paid by the University	27,448	-	-	-	1,084,136	1,111,584
Recruiting	26,781	20,885	16,296	7,632	-	71,594
Travel	154,952	154,027	95,651	406,057	-	810,687
Uniforms, supplies, and equipment	56,376	16,353	18,840	90,078	6,705	188,352
Game expenses	72,682	27,688	30,584	52,414	24,012	207,380
Marketing and promotion	69,688	24,287	19,868	13,160	42,523	169,526
Direct facilities, maintenance, and rental	2,118	1,345	-	10,217	454,961	468,641
Auxiliary administration	279,449	96,906	79,775	306,230	291,600	1,053,960
Other	85,452	23,028	8,763	94,139	539,555	750,937
Total operating expenses	<u>2,503,395</u>	<u>868,115</u>	<u>714,654</u>	<u>2,743,306</u>	<u>2,612,246</u>	<u>9,441,716</u>
Excess/(deficiency) of revenues over/(under) expenses	<u>\$ 75,983</u>	<u>\$ 29,051</u>	<u>\$ (57,113)</u>	<u>\$ (463,910)</u>	<u>\$ 900,824</u>	<u>\$ 484,835</u>

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, 2009

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) 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, 2009, 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 athletic 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 \$60,255 contribution from the National Collegiate Athletic Association which was used for academic enhancement and an additional \$239,013 in on behalf payments from the Athletics Foundation of Norfolk State University. The amounts received are 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, 2009 follows:

Depreciable capital assets:	
Buildings	\$32,071,713
Equipment	29,603
Infrastructure	103,500
Other improvements	<u>34,840</u>
Total depreciable capital assets	<u>32,239,656</u>
Less accumulated depreciation for:	
Buildings	17,043,109
Equipment	28,632
Infrastructure	16,388
Other improvements	<u>16,452</u>
Total accumulated depreciation	<u>17,104,581</u>
Total capital assets, net	<u>\$15,135,165</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,</u>
Dick Price Stadium Series 1996 (d)	5.000-5.375	2018	\$5,095,000
Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	
2010	\$ 460,000	\$ 268,696	
2011	480,000	245,236	
2012	505,000	220,636	
2013	535,000	194,376	
2014	560,000	166,289	
2015-2018	<u>2,555,000</u>	<u>351,890</u>	
Total	<u>\$5,095,000</u>	<u>\$1,447,123</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, 2009, the University recovered \$1,053,960 of auxiliary support costs from the Intercollegiate Athletics Department as reflected in the Schedule.

NORFOLK STATE UNIVERSITY  
Norfolk, Virginia  
As of June 30, 2009

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