

VIRGINIA COMMONWEALTH UNIVERSITY

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2005**



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Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

January 9, 2006

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
And Review Commission

Eugene P. Trani, President
Virginia Commonwealth 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 the **Virginia Commonwealth 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 6.2.3.1, for the year ended June 30, 2005. The University's 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 audit 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 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. There were no additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2005, 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.
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, 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 reasonable.
12. We deemed revenues from game guarantee agreements for away games during the reporting period to be immaterial for detailed testing.
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 VCU Foundation, an affiliated organization, we noted no individual contribution that constituted more than ten percent of total contributions received for intercollegiate athletics.
14. Based on analytical review, we deemed revenues from tournaments, conference distributions, and NCAA distributions to be reasonable. We deemed these revenues to be immaterial for detailed testing.
15. We deemed revenues from broadcast, television, radio, and internet rights during the reporting period to be immaterial for detailed testing.
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 reviewed such revenue and, for those items, we inspected the agreements and the coding of the payment amounts.
17. The Intercollegiate Athletics Department does not receive revenues associated with sports camps.
18. We deemed other revenues received by the Intercollegiate Athletics Department to be immaterial for detailed testing.

Expenses

19. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
20. 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.

21. We deemed payments for game guarantees for home games during the reporting period to be immaterial for detailed testing.
22. 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.
23. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
24. 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.
25. 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 Virginia Commonwealth 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 Virginia Commonwealth 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

WHC:sks
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SCHEDULE

VIRGINIA COMMONWEALTH UNIVERSITY

SCHEDULE OF REVENUES AND EXPENSES OF INTERCOLLEGIATE ATHLETICS PROGRAMS

For the Fiscal Year Ended June 30, 2005

	Non-Program Specific	Men's Basketball
Operating revenue:		
University fee allocation	\$ 7,017,759	\$ -
Conference and NCAA revenue sharing	260,300	17,404
Ticket sales	5,663	321,747
Game guarantees	-	-
Program sales	400	-
Contributions	567,686	-
Advertising	471,773	-
Radio and television rights	55,875	-
Indirect institutional support	154,797	-
Other	53,070	400
Total operating revenue	8,587,323	339,551
Operating expenses:		
Coaches and faculty salaries and fringe benefits	1,210,497	595,890
Other salaries and wages	522,988	84,537
Medical expenses and insurance	104,560	1,617
Guarantees	7,500	23,000
Spirit groups	39,410	-
Financial aid	89,468	350,540
Memberships and dues	55,181	-
Travel, administrative, and team	178,411	118,577
Direct facilities and maintenance	436,359	11,220
Supplies, materials, and equipment	151,066	4,845
Recruiting expenses	-	31,876
Fund raising	155,305	-
Game expenses	227,422	-
Indirect institutional support	154,797	-
Other	581,990	97,685
Total operating expenses	3,914,954	1,319,787
Excess/(deficiency) of revenues over/(under) operating expenses	\$ 4,672,369	\$ (980,236)

**Other sports include cross country, field hockey, golf, soccer, tennis, and volleyball.

The accompanying notes to the Schedule of Revenues and Expenses of Intercollegiate Athletic Programs are an integral part of this schedule.

Men's Baseball	Women's Basketball	Other Sports	Total
\$ -	\$ -	\$ -	\$ 7,017,759
-	-	-	277,704
-	4,235	10,181	341,826
7,000	-	4,000	11,000
-	-	-	400
2,860	2,250	51,505	624,301
-	-	-	471,773
-	-	-	55,875
-	-	-	154,797
-	-	6,398	59,868
9,860	6,485	72,084	9,015,303
154,312	270,955	734,508	2,966,162
20,112	674	24,146	652,457
60	1,299	13,174	120,710
4,200	3,610	-	38,310
-	-	-	39,410
178,549	373,481	1,426,557	2,418,595
-	145	3,669	58,995
67,539	76,748	244,467	685,742
3,512	10,326	16,057	477,474
26,796	15,042	68,311	266,060
7,255	27,386	21,885	88,402
-	-	20	155,325
-	-	650	228,072
-	-	-	154,797
27,509	51,421	112,823	871,428
489,844	831,087	2,666,267	9,221,939
\$ (479,984)	\$ (824,602)	\$ (2,594,183)	\$ (206,636)

VIRGINIA COMMONWEALTH UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS

AS OF JUNE 30, 2005

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 athletic programs of the University for the year ended June 30, 2005. The amount of expenses incurred by organizations outside the control of the University on behalf of the University's intercollegiate athletic programs is included in either revenues or expenses 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 net assets, changes in net assets, or cash flows for the year then ended. Revenues and expenses are directly identifiable with each category presented and are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. ENDOWMENT

The Intercollegiate Athletics Department has two quasi-endowments established for the benefit of the Department. The recorded value of one of the endowments totaled \$76,412 at June 30, 2005 and \$74,349 at June 30, 2004. 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 \$46,691 at June 30, 2005 and \$45,858 at June 30, 2004. The University has entrusted all endowment funds to the VCU Fund, an affiliated foundation, for investment in the Fund's investment pool. Funds transferred to the VCU Fund are subject to the investment policies of the VCU Fund. The Fund offers no guarantees relating to loss of investment value or rate of return on investments. Further, amounts transferred to the VCU Fund must remain with the Fund unless the University Board of Visitors approves the use of these invested funds for specific University purposes.

3. CAPITAL ASSETS

The Intercollegiate Athletics Department follows the same policies and procedures as the University for acquiring capital assets. Capital assets are stated at cost or, if donated, at fair market value on the date of acquisition. Equipment costing \$5,000 or more with a useful life of two or more years is capitalized. Infrastructure assets are included in the financial statements and are depreciated. The University records depreciation on property, plant, and equipment, including capital leases, and excluding land and construction-in-progress, as computed over the estimated useful lives of the assets based on the straight-line method. The general range of estimated useful lives is 10 to 40 years for buildings and fixtures and 5 to 20 years for equipment. The general range of estimated useful lives is 10 to 25 years for land improvements and infrastructure. Expenditures for construction-in-progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. Capital assets at the time of disposal revert to the Commonwealth of Virginia for disposition.

Athletics related capital assets as of June 30, 2005 were as follows:

Land improvements	\$ 2,709,179
Buildings	38,600,948
Equipment	<u>1,060,337</u>
Total cost	<u>42,370,464</u>
Less: accumulated depreciation	
Land improvements	1,705,893
Buildings	5,826,374
Equipment	<u>498,170</u>
Total accumulated depreciation	<u>8,030,437</u>
Total athletics related capital assets, net	<u>\$34,340,027</u>

4. DEBT REPAYMENT SCHEDULE

The Virginia College Building Authority (VCBA) issues Educational Facilities Revenue Bonds (Public Higher Education Financing Program). As a participating institution in this program, the University issued a note payable to the VCBA. This note, along with the notes of other institutions, is held by the VCBA as security for the Educational Facilities Revenue Bonds. For accounting purposes, the financing arrangement is considered to represent a note payable. The Sports-Medicine Facility was financed through the VCBA. The notes have interest rates of 3 percent to 5.75 percent. The debt matures as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2006	\$ 183,243
2007	181,892
2008	191,892
2009	201,892
2010	211,892
2011-2015	1,245,811
2016-2020	1,612,162
2021	<u>375,000</u>
Total	<u>\$4,203,784</u>

A summary of future interest requirements is as follows:

<u>Fiscal year</u>	<u>Amount</u>
2006	\$ 211,752
2007	202,325
2008	192,094
2009	181,312
2010	169,980
2011-2015	661,039
2016-2020	303,539
2021	<u>9,375</u>
Total	<u>\$1,931,416</u>

5. CONTRIBUTIONS

During the fiscal year ended June 30, 2005, the University received contributions from the VCU Foundation, totaling \$547,602, which constituted ten percent or more of total contributions.

VIRGINIA COMMONWEALTH UNIVERSITY

BOARD OF VISITORS

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Philip Thompson, Sr.

ADMINISTRATIVE OFFICERS

Eugene P. Trani, President

Richard L. Sander
Athletic Director and Assistant to the President

Jeffrey E. Cupps
Senior Associate Athletic Director for Business Affairs

