

**GEORGE MASON UNIVERSITY**

**INTERCOLLEGIATE ATHLETICS PROGRAMS  
FOR THE YEAR ENDED  
JUNE 30, 2010**



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# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

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

January 6, 2011

The Honorable Robert F. McDonnell  
Governor of Virginia

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

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 the **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) Bylaw 3.2.3.16.1, for the year ended June 30, 2010. 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 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 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. 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. 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 we were not made aware of 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 (Schedule) for the year ended June 30, 2010, 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 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 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 to the revenue recorded in the Schedule. We reviewed reconciliations of ticket sales and revenue to the accounting records for selected periods and found those reconciliations to be accurate.

11. We compared student fees reported in the Schedule to amounts reported in the accounting records. We found these amounts to be materially in agreement to the University's allocation of its comprehensive fee.
12. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period that agreed to the amount reported in the Schedule. This amount was deemed to be immaterial for further 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 George Mason University Foundation, an affiliated organization, and the Patriot Club of George Mason University Foundation, a booster 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 that agreed to the amount reported in the Schedule. This amount was deemed to be immaterial for further testing.
17. 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 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 settlement reports and game guarantee agreements for home games during the reporting period that agreed to the amount reported in the Schedule. This amount was deemed to be immaterial for further testing.
21. 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.
22. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
23. 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.
24. 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 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

JS/alh

## SCHEDULE

GEORGE MASON UNIVERSITY  
SCHEDULE OF REVENUE AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the year ended June 30, 2010

	Men's <u>Basketball</u>	Women's <u>Basketball</u>	Men's <u>Soccer</u>	Women's <u>Soccer</u>	Men's <u>Track</u>	Women's <u>Track</u>	<u>Other Sports</u>	Non-Program <u>Specific</u>	<u>Total</u>
Operating revenues:									
Ticket sales	\$ 585,225	\$ 15,206	\$ 9,987	\$ 7,021	\$ -	\$ -	\$ 48,311	\$ 2,858	\$ 668,608
Student fees	-	-	-	-	-	-	-	11,536,542	11,536,542
Guarantees	-	-	5,000	-	-	-	1,000	-	6,000
Contributions	-	-	-	-	-	-	17,790	788,653	806,443
Direct institutional support	-	-	-	-	-	-	-	1,500,657	1,500,657
Indirect facilities and administrative support	-	-	-	-	-	-	-	833,004	833,004
NCAA and conference distributions including all tournament revenues	-	-	-	-	3,229	3,229	34,414	909,042	949,914
Program sales, concessions, novelty sales, and parking	-	-	-	-	-	-	-	3,573	3,573
Royalties, advertisements and sponsorships	-	-	-	-	-	-	2,500	338,634	341,134
Other	<u>13,072</u>	<u>-</u>	<u>656</u>	<u>7,275</u>	<u>12,993</u>	<u>12,993</u>	<u>32,509</u>	<u>19,728</u>	<u>99,226</u>
Total operating revenues	<u>598,297</u>	<u>15,206</u>	<u>15,643</u>	<u>14,296</u>	<u>16,222</u>	<u>16,222</u>	<u>136,524</u>	<u>15,932,691</u>	<u>16,745,101</u>
Operating expenses:									
Athletic student aid	531,184	538,329	262,230	347,933	339,298	418,230	1,576,060	96,956	4,110,220
Guarantees	145,000	15,000	-	-	-	-	5,000	-	165,000
Coaching salaries, benefits, and bonuses	963,013	426,434	183,123	171,252	165,919	165,920	1,060,125	-	3,135,786
Support staff and administrative salaries, benefits, and bonuses	99,749	83,004	-	2,000	3,728	3,728	7,972	2,985,280	3,185,461
Recruiting	90,166	74,995	21,484	11,464	7,942	7,942	76,186	-	290,179
Team travel	300,594	124,277	52,343	48,922	142,685	142,685	603,639	29,914	1,445,059
Equipment, uniforms, and supplies	104,566	48,124	16,246	14,016	40,248	40,248	199,536	165,278	628,262
Game expenses	59,998	43,161	9,412	8,933	6,760	6,760	67,331	454,977	657,332
Fundraising, marketing and promotions	-	-	-	-	-	-	-	1,580,528	1,580,528
Spirit groups	6,622	4,950	-	-	-	-	-	11,003	22,575
Indirect facilities and administrative support	-	-	-	-	-	-	-	833,004	833,004
Medical expenses and medical insurance	-	-	-	-	-	-	-	171,668	171,668
Memberships and dues	894	725	550	1,070	337	337	3,836	62,278	70,027
Other	<u>34,942</u>	<u>18,678</u>	<u>2,242</u>	<u>1,629</u>	<u>15,085</u>	<u>15,085</u>	<u>45,086</u>	<u>498,278</u>	<u>631,025</u>
Total operating expenses	<u>\$ 2,336,728</u>	<u>\$ 1,377,677</u>	<u>\$ 547,630</u>	<u>\$ 607,219</u>	<u>\$ 722,002</u>	<u>\$ 800,935</u>	<u>\$ 3,644,771</u>	<u>\$ 6,889,164</u>	<u>#####</u>
Excess (deficiency) of revenues over (under) expenses for the year	<u>\$ (1,738,431)</u>	<u>\$ (1,362,471)</u>	<u>\$ (531,987)</u>	<u>\$ (592,923)</u>	<u>#####</u>	<u>\$ (784,713)</u>	<u>\$ (3,508,247)</u>	<u>\$ 9,043,527</u>	<u>\$ (181,025)</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, 2010

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, 2010, and includes both those intercollegiate athletics receipts and disbursements under the direct accounting control of the University and those on behalf of the University's intercollegiate athletics 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 year ended June 30, 2010. 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 \$806,443 in support of University athletics in the form of direct contributions and other expenses for fiscal year ended June 30, 2010.

3. CAPITAL ASSETS

Capital assets include land, buildings and other improvements, equipment and infrastructure assets such as sidewalks, and electrical and computer network cabling systems. Capital assets are generally defined by the University as assets with an initial cost of \$2,000 or more and an estimated useful life in excess of one year. The Intercollegiate Athletics Department 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, 2010:

Buildings	\$86,008,717
Construction in progress	114,414
Equipment	3,756,303
Improvements	8,674,413
Accumulated depreciation	<u>(25,222,656)</u>
Capital assets, net of accumulated depreciation	<u>\$73,331,191</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 at June 30, 2010</u>
Fairfax Aquatic Center Renovation	2004	\$ 6,785,000	3.0 - 5.0%	16 Years	2021	\$ 5,385,000
VCBA 2004 B (partial refunding of 1997A, Fairfax Aquatic Center)	2004	4,940,000	3.0 - 5.0%	12 Years	2017	4,384,287
PE Building (addition)	2006	6,035,000	3.0 - 5.0%	22 Years	2029	5,850,000
PE Building (addition, Phase 2)	2006	2,800,000	3.0 - 5.0%	22 Years	2029	2,715,000
Patriot Center (addition/renovation)	2006	8,200,000	3.0 - 5.0%	21 Years	2028	7,690,000
PE Building Addition	2007	8,555,000	4.5 - 5.0%	20 Years	2028	8,275,000
PE Building Addition Phase 2	2007	3,820,000	4.5 - 5.0%	20 Years	2028	3,695,000
Softball Field Improvements	2007	1,510,000	5.00%	10 Years	2018	1,265,000
VCBA 2007 B (refunding 1997A, Fairfax Aquatic)	2007	1,300,979	4.0 - 4.25%	10 Years	2018	794,129
Patriot Center Renovation Phase 2)	2009	1,860,000	2.1 - 5.0%	20 Years	2029	1,860,000
PE Building, Phase I	2009	2,750,000	2.1 - 5.0%	20 Years	2029	2,750,000
PE Building, Phase II	2009	<u>5,245,000</u>	2.1 - 5.0%	20 Years	2029	<u>5,245,000</u>
Total		<u>\$53,800,979</u>				<u>\$49,908,416</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>
2011	\$ 2,371,812	\$ 2,266,548	\$ 4,638,360
2012	2,486,126	2,152,687	4,638,813
2013	2,610,440	2,026,591	4,637,031
2014	2,744,754	1,895,289	4,640,043
2015	2,877,733	1,759,831	4,637,564
2016-2020	14,617,551	6,622,822	21,240,373
2021-2025	12,370,000	3,432,503	15,802,503
2026-2030	<u>9,830,000</u>	<u>716,525</u>	<u>10,546,525</u>
Total	<u>\$49,908,416</u>	<u>\$20,872,796</u>	<u>\$70,781,212</u>

## GEORGE MASON UNIVERSITY

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