

**VIRGINIA MILITARY INSTITUTE
LEXINGTON, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2000**



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March 23, 2001

The Honorable James S. Gilmore, III
Governor of Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit and Review Commission

Major General Josiah Bunting, III
Superintendent, Virginia Military Institute

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

We have audited the financial statements of **Virginia Military Institute** as of and for the year ended June 30, 2000, and have issued our unqualified report thereon dated March 23, 2001. At the request of the Superintendent of the Institute, we have performed certain agreed-upon procedures to the Institute's Intercollegiate Athletic Programs for the fiscal year ended June 30, 2000, discussed below, solely to assist the Institute in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. This review to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accounts. The sufficiency of the procedures is solely the responsibility of the Institute. 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, 2000, as prepared by the Institute 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 Institute's accounting records. We noted no differences between the

amounts in the Athletics Department's accounts in the Institute's 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.

- 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 vouched each individual contribution received directly by the Institute for its Intercollegiate Athletic Programs that constituted more than ten percent of the contributions so received. Except for contributions received from affiliated foundations described in Note 2, we noted no individual contribution, which constituted more than ten percent of total 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 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 or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the intercollegiate athletics department of the Institute in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the Superintendent of the Institute. This report relates only to the accounts and items specified above and does not extend to the financial statements of the Institute or its intercollegiate athletics department taken as a whole.

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

The management of Virginia Military Institute 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 organization chart provided by the Intercollegiate Athletic 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, competence of personnel, and protection of records and equipment.

- e. We reviewed the internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletic Programs. We reviewed the relationship of the internal control over Intercollegiate Athletic Programs to internal control reviewed in connection with the audit of the Institute's financial statements. Our review also included those controls unique to Intercollegiate Athletics, which have not been reviewed in connection with the audit of the financial statements.
- f. We reviewed the Institute's procedures for monitoring booster group activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the Institute's internal control were more limited than would be necessary to express an opinion on internal control of Virginia Military Institute in effect for the year ended June 30, 2000, 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 Institute.

This report is intended solely for the information and use of the Institute 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

JEG:whb
whb:41

SCHEDULE

VIRGINIA MILITARY INSTITUTE

SCHEDULE OF REVENUES AND EXPENDITURES OF INTERCOLLEGIATE ATHLETIC PROGRAMS

For the Year Ended June 30, 2000

	Football	Basketball	Other Sports	Nonprogram Specific	Total
Operating revenues:					
Ticket sales	\$ 134,978	\$ 43,852	\$ -	\$ -	\$ 178,830
Guarantees	15,290	115,160	-	206	130,656
Student activity fees	-	-	-	1,424,643	1,424,643
Concessions	-	-	-	108,100	108,100
Program sales	25,573	721	-	39,401	65,695
Gifts: (Note 2)					
Unrestricted	6,544	4,600	39,450	824,608	875,202
Restricted	1,018	55,124	153,925	1,519,234	1,729,301
Endowment fund transfers in (Note2)	-	-	-	94,700	94,700
Bowl/conference proceeds	-	-	27,469	28,635	56,104
License fees	-	-	-	17,702	17,702
Other	996	132	-	2,877	4,005
Total operating revenues	184,399	219,589	220,844	4,060,106	4,684,938
Operating expenditures:					
Coaches' salaries and other salaries	528,706	342,979	570,822	555,738	1,998,245
Supplies	4,553	5,747	23,983	10,691	44,974
Equipment purchases	58,871	33,646	59,616	36,941	189,074
Travel:					
Team	57,027	82,337	60,488	6,549	206,401
Recruiting	22,728	11,149	33,610	1,838	69,325
Other	13,452	16,394	82,373	36,806	149,025
Postal service	397	717	768	5,896	7,778
Publicity	-	-	40	4,450	4,490
Programs	1,858	10	3,196	21,831	26,895
Telephone	20,760	3,071	7,905	10,402	42,138
Medical services	-	-	-	3,777	3,777
Building maintenance	45,221	4,970	45,382	116,589	212,162
Films	-	-	-	1,697	1,697
Scholarships	-	14,593	4,366	1,310,969	1,329,928
Officials	22,701	24,236	7,219	-	54,156
Guarantees	30,000	19,571	700	-	50,271
Insurance	-	-	-	27,323	27,323
Allocated administrative costs (Note 3)	-	-	-	300,044	300,044
Miscellaneous	26,639	30,860	45,608	78,535	181,642
Total operating expenditures	832,913	590,280	946,076	2,530,076	4,899,345
Net increase (decrease) for the year	\$(648,514)	\$(370,691)	\$(725,232)	\$ 1,530,030	\$(214,407)

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

VIRGINIA MILITARY INSTITUTE
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 2000

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (Schedule) has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of current funds revenues and expenditures of the intercollegiate athletic programs of the Institute for the year ended June 30, 2000. The Schedule includes a selected portion of the Institute, 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. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Non-program Specific."

2. AFFILIATED ORGANIZATIONS

The Virginia Military Institute Keydet Club was established in 1948 for the purpose of raising contributions for scholarships to be awarded to athletes of the Institute. The Club gave the Institute \$1,310,969 in restricted gifts for intercollegiate athletic programs during the fiscal year ended June 30, 2000.

The Virginia Military Institute Development Board (Board) was established in 1978 by the Virginia Military Institute Alumni Association to implement a comprehensive development program and to coordinate the Institute's various fund-raising activities. The Board provides support to VMI from cash donations and income from its endowment. On July 1, 1998, the Board entered into a funding agreement with the VMI Foundation, Inc., the VMI Keydet Club, Inc. and the Institute applicable for the four fiscal years beginning July 1, 1998. This agreement calls for the Board to provide funding in excess of that, which would be generated by adherence to its existing endowment spending policies. In connection therewith, the Board agreed to provide an average of at least \$1,000,000 per year from its unrestricted endowment to be used exclusively by the Institute's athletic program; the Institute may determine the actual amount it receives from the Board each year based on the needs of its athletic program. However, in no event shall the total payments from the Board during the four years be less than \$4,000,000 plus the payment of certain existing debt service obligations of the Board on behalf of the Institute. For the fiscal year ended June 30, 2000, the Institute received \$800,000 from the Board's unrestricted endowment, which is shown on the Schedule as Unrestricted Gifts. The intercollegiate athletic program also received \$94,700 from other Institute endowment funds.

3. ADMINISTRATIVE COST RECOVERIES

The Institute recovers from each auxiliary enterprise an amount to reimburse for the cost of institutional support and the operation and maintenance of plant. These costs are charged to a non-program specific category and are not allocated among the different athletic programs.

VIRGINIA MILITARY INSTITUTE
Lexington, Virginia

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ADMINISTRATIVE OFFICERS

Major General Josiah Bunting, III, Superintendent

Donald T. White, Athletic Director

