

**UNIVERSITY OF VIRGINIA
CHARLOTTESVILLE, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2003**



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UNIVERSITY OFFICIALS



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

January 15, 2004

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
and Review Commission

Dr. John T. Casteen III, President
University of Virginia

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

We have audited the financial statements of **University of Virginia** as of and for the year ended June 30, 2003, and have issued our unqualified report thereon dated November 10, 2003. At the request of the President of the University, we have performed certain agreed-upon procedures to the University's Intercollegiate Athletic Programs for the fiscal year ended June 30, 2003, discussed below, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The University is responsible for the Intercollegiate Athletic Programs including preparation of the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs. 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.

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, 2003, 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 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 University for its Intercollegiate Athletic Programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Virginia Athletics Foundation, an affiliated foundation, we noted no individual contribution that 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 the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs or 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 University of Virginia in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the President of the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of the University of Virginia or its intercollegiate athletics department taken as a whole.

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

The management of the University of Virginia 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 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 organizational chart provided by the Intercollegiate Athletics 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, the use of internal audit in the department, competence of personnel, and protection of records and equipment.
- e. We reviewed internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletic Programs. We reviewed the relationship of internal control over Intercollegiate Athletic Programs to internal control reviewed in connection with the audit of the University’s financial statements. Our review also

included those controls unique to Intercollegiate Athletic Programs, which have not been reviewed in connection with the audit of the financial statements.

- f. We reviewed the University'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 University's internal control were more limited than would be necessary to express an opinion on internal control of the University of Virginia in effect for the year ended June 30, 2003, 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 Programs administered by the University.

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

JHS:cam
cam:47

SCHEDULE

UNIVERSITY OF VIRGINIA
SCHEDULE OF REVENUES AND EXPENDITURES
OF INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 2003

Operating revenues:	
Student activity fees	\$ 5,738,831
Ticket sales	9,099,276
ACC revenue distribution*	9,048,059
Corporate sponsorships	1,615,620
Concessions	514,127
Novelty sales	489,011
Other	245,625
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Total operating revenues	26,750,549
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Operating expenses:	
Compensation and benefits	13,430,830
Supplies and other services	12,245,313
Scholarships and fellowships	6,532,671
Utilities	1,181,170
Depreciation (equipment)	139,302
Other	24,337
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Total operating expenses	33,553,623
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Operating income/(loss)	(6,803,074)
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Nonoperating revenues/(expenses):	
Gifts	23,017,936
Investment income	311,746
Transfers and other	(6,768,020)
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Net revenue/(expenses)	\$ 9,758,588
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* includes post-season and TV/radio shares

UNIVERSITY OF VIRGINIA
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
AS OF JUNE 30, 2003

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenditures of the intercollegiate athletic programs of the University for the year ended June 30, 2003 using the accounting methods used by the University to monitor intercollegiate athletics program activities. The Schedule includes only those intercollegiate athletic revenues and expenditures under the direct accounting control of the University. The Schedule does not include intercollegiate athletic revenues and expenditures of the University of Virginia's College at Wise. 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.

NOTE 2 - AFFILIATED FOUNDATION

The University received \$23,017,936 from the Virginia Athletics Foundation, an affiliated foundation. Of this total, \$6,641,432 was designated for scholarships and fellowships.

UNIVERSITY OF VIRGINIA
Charlottesville, Virginia

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