

VIRGINIA COMMONWEALTH UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS

FOR THE YEAR ENDED

JUNE 30, 2011

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

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Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
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December 8, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

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

Michael Rao
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 **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) Constitution 3.2.4.16.1, for the year ended June 30, 2011. University 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 audits of the University's financial statements.
2. Intercollegiate Athletics Department management provided an organizational chart which we reviewed 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. Intercollegiate Athletics Department management 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. Intercollegiate Athletics Department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2011, as prepared by the University and shown in this report. We recalculated the addition of the amounts in the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts in 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 revenue and expense amounts reported in the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and review of actual amounts in comparison to budget estimates. We obtained and documented an understanding of significant variations.

Revenues

9. 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 sports and found such reconciliations to be accurate and agreed them to the amounts recorded as ticket revenue for those sports.
10. We compared student fees reported in the Schedule to amounts reported in the accounting records and amounts from the university's comprehensive fee allocated to intercollegiate athletics. We found these amounts to be materially in agreement.
11. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by the Intercollegiate Athletics Programs 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. Except for contributions received from the Virginia Commonwealth University Foundation, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs.

12. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we selected individual contribution amounts and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
13. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. This amount was deemed to be immaterial for detailed testing.
14. 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 gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.
16. 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, properly recorded in the accounting records, and deposited promptly and intact.

Expenses

17. 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.
18. 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.
19. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by third-parties during the reporting period. This amount was deemed to be immaterial for detailed testing.

20. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing.
21. We discussed the Intercollegiate Athletics Department's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies. We compared these policies to existing University and NCAA policies and noted substantial agreement 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 Programs. These disbursements were for supplies, equipment, travel, and other general operating 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 does 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

AWP/alh

SCHEDULE

VIRGINIA COMMONWEALTH UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the Year Ended June 30, 2011

	Non-Program Specific	Men's Basketball	Men's Baseball	Women's Basketball	Other Sports	Total
Operating Revenue:						
University fee allocation	\$ 15,580,107	\$ -	\$ -	\$ -	\$ -	\$ 15,580,107
Conference and NCAA revenue sharing	483,269	-	-	-	-	483,269
Ticket sales	(11,217)	715,075	42,236	4,223	11,557	761,874
Game guarantees	-	-	-	-	500	500
Program sales	464,273	150	-	-	-	464,423
Contributions	1,126,612	21,300	600	-	53,800	1,202,312
Advertising and royalties	913,125	-	-	-	-	913,125
Other	181,399	1,379	-	150	2,766	185,694
Total operating revenue	18,737,568	737,904	42,836	4,373	68,623	19,591,304
Operating Expenses:						
Coaches and faculty salaries and fringe benefits	1,764,281	1,528,854	217,894	407,611	1,264,868	5,183,508
Other salaries and wages	916,122	329,249	20,943	63,108	49,073	1,378,495
Medical exp and insurance	205,609	2,008	17	120	29,039	236,793
Guarantees	-	168,000	-	-	-	168,000
Spirit groups	70,211	-	-	-	-	70,211
Financial aid	107,240	528,719	229,167	413,721	2,116,911	3,395,758
Memberships & dues	57,642	670	-	2,200	3,920	64,432
Travel, administrative and team	215,577	318,740	110,794	88,589	421,181	1,154,881
Direct facilities maintenance	5,610,801	53,126	7,913	18,271	46,094	5,736,205
Supplies, materials and equipment	599,678	61,220	48,112	22,619	222,828	954,457
Recruiting expenses	(1)	50,811	19,896	32,081	56,416	159,203
Fund raising	788,088	-	-	-	50	788,138
Game expenses	81,393	1,720	-	75	-	83,188
Other operating expenses	1,292,969	178,342	33,953	51,297	183,817	1,740,378
Total operating expenses	11,709,610	3,221,459	688,689	1,099,692	4,394,197	21,113,647
Excess/(deficiency) of revenues over/(under) operating expenses	\$ 7,027,958	\$ (2,483,555)	\$ (645,853)	\$ (1,095,319)	\$ (4,325,574)	\$ (1,522,343)

** Other sports include men's cross country, men's indoor track, men's outdoor track, men's tennis, men's soccer, men's golf, women's cross country, women's indoor track, women's outdoor track, women's volleyball, women's field hockey, women's soccer and women's tennis.

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

VIRGINIA COMMONWEALTH UNIVERSITY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2011

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs have 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, 2011. The Schedule includes those intercollegiate athletics revenues and expenses made on behalf of the University's intercollegiate athletics programs by outside organizations not under the accounting control of the University. 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 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 one restricted and one unrestricted endowment established for the benefit of the Department. The recorded value of one of the endowments totaled \$85,062 at June 30, 2011. 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 \$853 at June 30, 2011. The University has entrusted all endowment funds to the VCU Foundation, an affiliated foundation, for investment in the Foundation's investment pool. Funds transferred to the VCU Foundation are subject to the investment policies of the VCU Foundation.

The Foundation offers no guarantees relating to loss of investment value or rate of return on investments. Further, amounts transferred to the Foundation must remain with the Foundation 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, 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. Expenses 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, 2011 were as follows:

	<u>Total Cost</u>	<u>Accumulated Depreciation</u>
Land Improvements	\$ 3,282,691	\$ 3,235,342
Buildings	34,586,968	9,934,437
Fixed Equipment	<u>6,358,094</u>	<u>3,441,384</u>
Total Buildings	40,945,062	13,375,821
Autos & Trucks	466,162	402,447
Major Movable Equipment	<u>1,251,700</u>	<u>798,429</u>
Total Equipment	<u>1,717,862</u>	<u>1,200,877</u>
Total Athletics Related Property & Equipment	<u>\$45,945,614</u>	<u>17,812,040</u>
Net Property & Equipment		<u>\$28,133,575</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 two percent to six percent.

The debt matures as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 213,780
2013	250,539
2014	265,607
2015	278,792
2016	291,977
2017-2021	<u>1,670,162</u>
Total	<u>\$2,970,857</u>

A summary of future interest requirements is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$132,180
2013	123,751
2014	110,885
2015	97,313
2016	83,077
2017-2021	<u>193,842</u>
Total	<u>\$741,048</u>

The Commonwealth issues the General Revenue Pledge Bonds (9d) for agencies and institutions of the Commonwealth. For accounting purposes, the financing arrangement is considered to represent a bond payable. The Recreation Center facility was financed through the Commonwealth bond issues. The bonds have interest rates of 1.5 percent to 5.0 percent.

The debt matures as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$1,603,622
2013	1,650,788
2014	1,701,884
2015	1,788,354
2016	<u>1,124,107</u>
Total	<u>\$7,868,755</u>

A summary of future interest requirements is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 328,350
2013	280,240
2014	230,717
2015	145,623
2016	<u>56,206</u>
Total	<u>\$1,041,135</u>

5. CONTRIBUTIONS

During the fiscal year ended June 30, 2011, the University received contributions from the Virginia Commonwealth University Foundation, totaling \$1,202,312 which constituted 10 percent or more of total contributions.

VIRGINIA COMMONWEALTH UNIVERSITY

Richmond, Virginia

BOARD OF VISITORS

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