



# VIRGINIA COMMONWEALTH UNIVERSITY

## INTERCOLLEGIATE ATHLETICS PROGRAMS

FOR THE YEAR ENDED

JUNE 30, 2014

Auditor of Public Accounts

Martha S. Mavredes, CPA

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Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

January 15, 2015

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John C. Watkins  
Chairman, Joint Legislative Audit  
And Review Commission

Michael Rao  
President, Virginia Commonwealth University

## INDEPENDENT AUDITOR'S REPORT ON THE 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, for the year ended June 30, 2014. 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 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. 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, 2014, 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 game guarantee agreements for away games during the reporting period. We reviewed this listing and agreed amounts to proper posting in the accounting records and supporting documentation. The related revenue was deemed to be immaterial for detailed testing.
12. 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 VCU Foundation, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs.
13. 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.
14. We reviewed amounts reported in the Schedule for direct institutional support and indirect facilities and administrative support. The related revenues were deemed to be immaterial for detailed testing.
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 gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.

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 gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.

### **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 game guarantee agreements for home games during the reporting period. The related expense was deemed immaterial for detailed testing.
19. 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 during the fiscal year 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.
20. 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.
21. We obtained an understanding of the University's methodology for allocating indirect facilities support. The related expense was deemed to be immaterial for detailed testing.
22. 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 the various activities listed within the Schedule. 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 conducted 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

EMS/clj

VIRGINIA COMMONWEALTH UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the year ended June 30, 2014

	Men's Basketball	Women's Basketball	Men's Baseball	Other Sports	Non-Program Specific	Total
<b>Operating revenues:</b>						
Ticket sales	\$ 1,785,734	\$ 10,509	\$ 33,147	\$ 17,995	\$ 175,195	\$ 2,022,580
Student fees	-	-	-	-	18,428,036	18,428,036
Guarantees	92,965	20,000	750	6,000	200	119,915
Contributions	2,147,830	-	7,850	41,671	416,907	2,614,258
Direct institutional support	-	-	-	-	263,853	263,853
Indirect facilities and administrative support	-	-	-	-	343,611	343,611
NCAA conference distributions including all tournament revenues	-	-	-	-	539,771	539,771
Program sales, concessions, novelty sales, and parking	-	-	-	-	106,581	106,581
Royalties, advertisements and sponsorships	1,698,816	-	3,900	3,500	879,456	2,585,672
Other	3,423	-	-	338	929,669	933,430
<b>Total operating revenues</b>	<b>5,728,768</b>	<b>30,509</b>	<b>45,647</b>	<b>69,504</b>	<b>22,083,279</b>	<b>27,957,707</b>
<b>Operating expenses:</b>						
Athletic student aid	560,839	614,937	374,998	2,359,094	114,755	4,024,623
Guarantees	365,000	-	-	6,000	-	371,000
Coaching salaries, benefits, and bonuses paid by the University and related entities	2,757,653	566,605	249,288	1,441,390	-	5,014,936
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	391,206	126,359	1,347	9,171	3,331,333	3,859,416
Recruiting	171,996	64,267	23,984	85,141	914	346,302
Team travel	781,939	240,607	151,597	564,486	635,116	2,373,745
Equipment, uniforms, and supplies	176,961	112,012	76,606	414,158	472,747	1,252,484
Game expenses	97,927	56,943	21,383	50,346	-	226,599
Fundraising, marketing and promotions	-	-	-	-	1,258,141	1,258,141
Direct facilities, maintenance and rental	83,116	21,108	2,142	25,084	6,146,667	6,278,117
Spirit groups	-	-	-	-	138,302	138,302
Indirect facilities and administrative support	-	-	-	-	343,611	343,611
Medical expenses and medical insurance	2,124	189	55	29,951	323,182	355,501
Memberships and dues	1,010	800	-	6,664	110,768	119,242
Other	355,393	55,541	19,213	121,363	997,636	1,549,146
<b>Total operating expenses</b>	<b>5,745,164</b>	<b>1,859,368</b>	<b>920,613</b>	<b>5,112,848</b>	<b>13,873,172</b>	<b>27,511,165</b>
<b>Excess (deficiency) of revenues over (under) expenses</b>	<b>\$ (16,396)</b>	<b>\$ (1,828,859)</b>	<b>\$ (874,966)</b>	<b>\$ (5,043,344)</b>	<b>\$ 8,210,107</b>	<b>\$ 446,542</b>

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics 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, 2014**

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, 2014. 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 \$96,183 at June 30, 2014. 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 \$14 at June 30, 2014. 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. 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, 2014, were as follows:

Land Improvements	\$ 3,282,691
Building	43,683,698
Equipment	<u>1,799,653</u>
Total Cost	<u>48,766,042</u>
Less: Accumulated Depreciation	
Land Improvements	3,258,941
Building	17,178,909
Equipment	<u>1,423,264</u>
Total Accumulated Depreciation	<u>21,861,114</u>
Total Athletics Related Capital Assets, net	<u>\$26,904,928</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 2.0 percent to 6.0 percent.

The debt matures as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 172,820
2016	180,994
2017	189,168
2018	201,266
2019	209,458
2020-2021	<u>431,754</u>
Total	<u>\$1,385,460</u>

A summary of future interest requirements is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 60,161
2016	51,336
2017	42,100
2018	33,102
2019	24,112
2020-2021	<u>20,347</u>
Total	<u>\$231,158</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>
2015	\$1,788,354
2016	<u>1,124,107</u>
Total	<u>\$2,912,461</u>

A summary of future interest requirements is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$145,623
2016	<u>56,206</u>
Total	<u>\$201,829</u>

## 5. CONTRIBUTIONS

During the fiscal year ended June 30, 2014, the University received Athletics-related contributions from the Virginia Commonwealth University Foundation, totaling \$2,362,038 which constituted ten percent or more of total contributions.

## VIRGINIA COMMONWEALTH UNIVERSITY

Richmond, Virginia

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### UNIVERSITY OFFICIALS

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