



GEORGE MASON UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS

FOR THE YEAR ENDED

JUNE 30, 2015

Auditor of Public Accounts

Martha S. Mavredes, CPA

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Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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January 15, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Vice-Chairman, Joint Legislative Audit
And Review Commission

Dr. Ángel Cabrera
President, George Mason University

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of **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) Constitution 3.2.4.15, for the year ended June 30, 2015. University management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) and the Schedule's compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with generally accepted government auditing standards. 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

Procedures described below were limited to material items. For the purpose of this report, and as defined in the agreed-upon procedures, items are considered material if they exceed one-half of one percent of total revenues or total expenses, as applicable. The procedures that we performed and our findings are as follows:

Internal Controls

1. 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 a current organizational chart. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, protection of records and equipment, and controls regarding information systems with the information technology department.
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 University's Intercollegiate Athletics Programs. We tested these procedures as noted below.

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 for the year ended June 30, 2015, 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 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 compared each major revenue and expense account over ten percent of total revenues or total expenses, respectively, to prior period amounts and budget estimates. Variations exceeding one million dollars or ten percent are explained below:

<u>Line Item</u>	<u>Explanation</u>
Indirect Institutional Support	Clarifications in NCAA reporting guidance from the prior fiscal year resulted in a 411 percent increase due to the addition of debt service payments made by the University on-behalf of intercollegiate athletics.
Royalties, licensing, advertisement and sponsorships	The University experienced a 241 percent increase in this line item from the prior year, primarily caused by a reclassification of items previously included in Direct Institutional Support based on updated NCAA reporting guidance.
Coaching salaries, benefits, and bonuses paid by the University and related entities	The University experienced a 33 percent increase from the prior year, primarily due to contractual agreements correlated with the turnover of the Men’s Basketball coaching staff.
Athletic facility debt service	Clarifications in NCAA reporting guidance from the prior fiscal year resulted in a 100 percent increase in this line item. These payments were not previously included in the Schedule.

Revenues

9. Intercollegiate Athletics Department management provided us with tickets sold during the reporting period along with a list of complimentary tickets and unsold tickets. We compared tickets sold by month to the revenue reported in the schedule and related attendance figures, and noted them to be substantially in agreement.
10. We obtained an understanding of the institution’s methodology for allocating student fees to intercollegiate athletics programs. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be substantially in agreement.

11. We compared amounts reported in the Schedule for direct institutional support to institutional budget transfer documentation and/or other corroborative supporting documentation, and noted them to be substantially in agreement.
12. We compared amounts reported in the Schedule for indirect institutional support to expense payments, cost allocation detail and other corroborative supporting documentation and noted them to be substantially in agreement.
13. Revenue related to guarantees was deemed immaterial for detailed testing.
14. 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 Patriot Club, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs. We reviewed contributions from the Patriot Club and agreed them to supporting documentation.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from broadcast, television, radio, internet, and e-commerce rights. We gained an understanding of the relevant 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 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.
17. Revenue related to program sales, concessions, novelty sales, and parking was deemed immaterial for detailed testing.
18. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, licensing, 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.
19. Endowment agreements were deemed immaterial for detailed testing.

20. We compared the amount of revenue related to other revenue to the amount reported in the Schedule. We performed a statistical analysis to determine reasonableness of items classified as other revenue and determined other revenue to be reasonable.

Expenses

21. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. Since the University used the NCAA Compliance Assistant software to prepare athletic aid detail, we selected ten percent of individual student-athletes across all sports and agreed amounts from the listing to their award letter. We agreed each student's information to ensure accurate reporting in the NCAA Membership Financial Reporting System and found two exceptions out of thirty students selected in which information was not accurate within the system. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.
22. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for home games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and agreed selected amounts to proper posting in the accounting records and supporting documentation.
23. 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, including football and men's and women's basketball coaches, 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.
24. 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.
25. We selected a sample of disbursements for equipment, uniforms, and supplies, game expenses, fundraising, marketing, and promotion, and other operating expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, reasonable to intercollegiate athletics, and properly recorded in the accounting records.

26. We obtained a listing of debt service payments for athletics facilities for the reporting year. We selected facility payments, including the two highest facility payments, and agreed them to supporting documentation.

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 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

EMS/alh

GEORGE MASON UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2015

	Men's Basketball	Women's Basketball	Men's Soccer	Women's Soccer	Men's Track	Women's Track	Other Sports	Non-Program Specific	Total
Operating revenues:									
Ticket sales	\$ 612,869	\$ 18,586	\$ 13,381	\$ 8,302	\$ 3,435	\$ 3,167	\$ 29,004	\$ 5,334	\$ 694,078
Student fees	-	-	-	-	-	-	-	14,347,330	14,347,330
Direct institutional support	-	-	-	-	-	-	-	2,570,714	2,570,714
Indirect institutional support	-	-	-	-	-	-	-	6,716,756	6,716,756
Guarantees	-	10,000	-	2,000	-	-	3,800	-	15,800
Contributions	-	-	3,173	-	-	-	4,620	750,808	758,601
Media rights	-	-	-	-	-	-	-	177,995	177,995
NCAA distributions	-	-	-	-	3,140	2,895	1,600	743,185	750,820
Conference distributions (Non Media or Bowl)	8,735	8,346	8,921	-	3,201	2,951	19,584	127,769	179,507
Program, novelty, parking, and concession sales	-	-	-	-	-	-	-	5,349	5,349
Royalties, licensing, advertisement and sponsorships	-	-	-	-	-	-	-	2,284,768	2,284,768
Athletics restricted Endowment and investments income	-	-	-	-	-	-	-	45,513	45,513
Other operating revenue	16,455	437	603	622	23,027	21,224	79,990	76,194	218,552
Total operating revenues	638,059	37,369	26,078	10,924	32,803	30,237	138,598	27,851,715	28,765,783
Operating expenses:									
Athletic student aid	656,970	830,245	345,813	428,838	375,487	651,369	2,085,708	187,843	5,562,273
Guarantees	80,000	1,500	-	-	-	-	10,000	-	91,500
Coaching salaries, benefits, and bonuses paid by the University and related entities	2,627,368	602,039	223,147	235,981	199,857	184,216	1,386,072	-	5,458,681
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	129,761	90,571	1,548	522	-	-	5,191	4,357,605	4,585,197
Recruiting	113,230	126,054	17,927	12,075	13,887	12,800	87,295	-	383,267
Team travel	456,667	217,423	95,719	66,278	222,064	204,685	850,579	74,314	2,187,729
Sports equipment, uniforms, and supplies	97,738	129,596	27,041	20,334	43,758	40,334	214,126	276,450	849,377
Game expenses	123,255	60,900	10,605	8,477	12,105	11,158	88,865	492,793	808,157
Fundraising, marketing and promotion	-	-	-	-	-	-	-	1,098,144	1,098,144
Spirit groups	8,611	7,598	-	-	-	-	-	30,585	46,794
Athletic facility debt service	-	-	-	-	-	-	-	5,332,692	5,332,692
Indirect institutional support	-	-	-	-	-	-	-	1,384,064	1,384,064
Medical expenses and insurance	-	-	-	-	-	-	-	155,311	155,311
Memberships and dues	2,730	1,440	869	740	364	336	5,628	114,266	126,373
Other operating expenses	52,142	23,985	2,917	2,869	16,688	15,382	47,162	535,077	696,224
Total operating expenses	4,348,472	2,091,351	725,586	776,114	884,210	1,120,280	4,780,626	14,039,144	28,765,783
Excess (deficiency) of revenues over (under) expenses	\$ (3,710,413)	\$ (2,053,982)	\$ (699,508)	\$ (765,190)	\$ (851,407)	\$ (1,090,043)	\$ (4,642,028)	\$ 13,812,571	\$ -
Other Reporting Items:									
Total athletics-related debt									\$ 43,831,294
Total institutional debt									\$ 672,230,929
Value of athletics-dedicated endowments									\$ 1,643,691
Value of institutional endowments									\$ 72,173,789

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 SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, and includes both those intercollegiate athletic receipts and disbursements under the direct accounting control of the University and those on behalf of the University's athletic 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 fiscal year ended June 30, 2015. 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 \$804,114 in support of University athletics in the form of direct contributions and other expenses for the fiscal year ended June 30, 2015.

3. CAPITAL ASSETS

Capital assets include land, buildings and other improvements, equipment, and infrastructure. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Athletics 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, 2015:

Buildings	\$89,103,962
Construction in progress	466,503
Equipment	5,134,697
Improvements	9,769,336
Accumulated depreciation	<u>(42,989,515)</u>
Net property and equipment	<u>\$61,484,983</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, 2015</u>
PE Building (addition)	2006	6,035,000	3.0 - 5.0%	22 Years	2029	2,560,000
PE Building (addition, Phase 2)	2006	2,800,000	3.0 - 5.0%	22 Years	2029	1,185,000
PE Building (addition, RB2)	2007	8,555,000	4.5 - 5.0%	20 Years	2028	2,495,000
PE Building (addition, Phase 2, RB2)	2007	3,820,000	4.5 - 5.0%	20 Years	2028	1,110,000
Softball Field Improvements	2007	1,510,000	5.00%	10 Years	2018	535,000
VCBA 2007 B (refunding 1997A, Fairfax Aquatic)	2007	1,300,979	4.0 - 4.25%	10 Years	2018	784,979
PE Building, Phase I	2009	2,750,000	2.1 - 5.0%	20 Years	2029	2,225,000
PE Building, Phase II	2009	5,245,000	2.1 - 5.0%	20 Years	2029	4,255,000
Fieldhouse Life/Safety/Code Renovation	2010	1,395,000	3.75 - 5.5%	20 Years	2031	1,240,000
Repair Aquatic & Fitness Center HVAC	2010	2,325,000	2.0 - 5.0%	10 Years	2021	1,520,000
VCBA 2012 A (partial refunding of 2004A, Fairfax Aquatic Center)	2012	3,130,000	5.00%	8 Years	2021	3,130,000
Fieldhouse Life/Safety/Code Renovation	2012	3,060,000	4.0 - 5.0%	10 Years	2023	888,210
Renovate Fieldhouse	2013	3,230,000	1.0 - 3.5%	10 Years	2024	3,230,000
VCBA 2013 B (Refunding of 2006A, Patriot Center)	2013	7,280,000	1.0 - 4.0%	14 Years	2028	6,835,000
VCBA 2013 B (Refunding of 2009A, Patriot Center)	2013	1,845,000	1.0 - 4.0%	15 Years	2029	1,740,000
VCBA 2014 B (Refunding of 1997A, Fairfax Aquatic Center)	2014	1,363,105	3.0 - 5.0%	2 Years	2017	1,363,105
VCBA 2014 B (partial refunding of 2006A, PE Addition/Renovation)	2014	2,070,000	3.0 - 5.0%	9 Years	2024	2,070,000
VCBA 2014 B (partial refunding of 2006A, PE Addition Phase II)	2014	950,000	3.0 - 5.0%	9 Years	2024	950,000
VCBA 2014 B (partial refunding of 2007A, PE Addition)	2014	3,950,000	3.0 - 5.0%	11 Years	2026	3,950,000
VCBA 2014 B (partial refunding of 2007A, PE Addition Phase II)	2014	<u>1,765,000</u>	3.0 - 5.0%	11 Years	2026	<u>1,765,000</u>
Total		<u>\$64,379,084</u>				<u>\$43,831,294</u>

The following schedule describes the total principal and interest payments due on the notes outstanding:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	3,801,382	1,731,317	5,532,699
2017	3,936,825	1,579,148	5,515,973
2018	4,142,219	1,410,966	5,553,185
2019	3,262,033	1,256,879	4,518,912
2020	3,413,423	1,119,973	4,533,396
2021-2025	14,815,412	3,637,591	18,453,003
2026-2030	10,360,000	794,516	11,154,516
2031-2035	<u>100,000</u>	<u>1,788</u>	<u>101,788</u>
Total	<u>\$43,831,294</u>	<u>\$11,532,178</u>	<u>\$55,363,472</u>

GEORGE MASON UNIVERSITY

Fairfax, Virginia

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