

GEORGE MASON UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30,2006**

APA

**Auditor of
Public Accounts**
COMMONWEALTH OF VIRGINIA

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Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

November 16, 2006

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
And Review Commission

Alan G. Merten
President, George Mason 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 **George Mason University** (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) Bylaw 6.2.3 for the year ended June 30, 2006. The University's 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 audit of the University's financial statements.

2. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the Intercollegiate Athletics Department, competence of personnel, and protection of records and equipment.
3. The University 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 the intercollegiate athletics-related affiliated and outside organization and provided us with copies of audited financial statements for such organization for the reporting period.
5. The Intercollegiate Athletics Department provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs included in the Schedule.
6. We obtained any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations and inquired as to the corrective action taken in response to such comments. We noted that the affiliated organizations had been audited by independent public accountants and we were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2006, 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.
8. 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 review of actual amounts expended in comparison to budgeted amounts.

Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.

10. 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 reconciliation procedures for selected games and found such reconciliations to be accurate and agreed to amounts recorded as ticket revenue for those games.
11. The University does not have a separate athletic fee. Instead, it is part of the total comprehensive fee and allocated to intercollegiate athletics. We compared student fees reported in the Schedule to amounts reported in the accounting records and to prior year amounts for reasonableness.
12. Intercollegiate Athletics Department management provided us with a listing of game guarantee revenues, which we agreed to the accounting records. Based on an analytical review of the amounts reported in the Schedule, we consider the amount reported to be reasonable. This amount was deemed to be immaterial for detailed testing.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods, or services received directly by the Intercollegiate Athletics Department 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. We vouched each individual contribution received directly by the University for its Intercollegiate Athletics programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Patriot Club of George Mason University Foundation, Incorporated, an affiliated organization, we noted no individual contribution, which constituted more than ten percent of total contributions received for intercollegiate athletics.
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 inspected the agreements and agreed significant amounts to supporting documentation.
15. Based on analytical review of the amounts reported in the Schedule, we consider revenues from royalties, advertisements, and sponsorships to be reasonable. We deemed these revenues to be immaterial for detailed testing.
16. We reviewed the Intercollegiate Athletics Department's procedures for recording sports camps revenues and found the procedures to be adequate. We deemed these revenues to be immaterial for detailed testing.
17. Based on receipts as listed in the accounting records, we selected and tested collections by the intercollegiate athletics program. We found all reviewed amounts to be in agreement with supporting documentation, deposited promptly and intact, and properly recorded in the accounting records.

Expenses

18. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.

19. 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.
20. Based on analytical review of the amounts reported in the Schedule, we deemed game guarantee expenses for home games to be reasonable. We deemed these expenses to be immaterial for detailed testing.
21. 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.
22. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
23. We obtained an understanding of the University's methodology for allocating indirect administrative and facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
24. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the intercollegiate athletics program. These disbursements were for supplies, equipment, travel, and other general 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 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

SCHEDULE

GEORGE MASON UNIVERSITY
STATEMENT OF REVENUES AND EXPENSES
OF INTERCOLLEGIATE ATHLETICS PROGRAMS
For The Year Ended June 30, 2006

	Men's Basketball	Women's Basketball	Men's Soccer	Women's Soccer
Operating revenues:				
Ticket sales	\$ 264,510	\$ 14,079	\$ 3,947	\$ 3,898
Student fees	-	-	-	-
Guarantees	1,980	5,000	1,000	4,000
Contributions	15,000	-	-	-
Direct institutional support	-	-	-	-
Indirect facilities and administrative support	-	-	-	-
NCAA/Conference distributions including all tournament revenues	180,093	-	-	-
Program sales, concessions, novelty sales, and parking	-	-	493	1,200
Royalties, advertisements and sponsorships	-	-	-	-
Sports camp revenues	-	-	-	-
Other	529	-	5,500	11,990
Total operating revenues	462,112	19,079	10,940	21,088
Operating expenses:				
Athletic student aid	362,619	411,692	199,363	195,603
Guarantees	3,000	800	-	-
Coaching salaries, benefits, and bonuses	733,270	333,795	158,329	146,246
Support staff/administrative salaries, benefits and bonuses	79,814	43,038	-	135
Recruiting	77,264	35,574	24,789	13,091
Team travel	489,902	132,567	53,196	59,565
Equipment, uniforms, and supplies	56,378	55,929	19,069	11,249
Game expenses	45,605	32,899	5,869	6,329
Fund-raising, marketing and promotions	-	-	-	-
Spirit groups	22,640	9,106	-	-
Indirect facilities and administrative support	-	-	-	-
Medical expenses and medical insurance	-	-	-	-
Memberships and dues	1,973	20,560	955	670
Other	63,988	31,630	1,629	5,160
Total operating expenses	1,936,453	1,107,590	463,199	438,048
Excess/(deficiency) of revenues over/(under) expenses for the year	\$ (1,474,341)	\$ (1,088,511)	\$ (452,259)	\$ (416,960)

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this Schedule.

Men's Track	Women's Track	Other Sports	Non-Program Specific	Total
\$ -	\$ -	\$ 23,339	\$ 5,516	\$ 315,289
-	-	-	8,421,178	8,421,178
-	-	1,000	-	12,980
-	-	25,000	424,949	464,949
-	-	-	1,381,015	1,381,015
-	-	-	615,243	615,243
1,080	-	1,944	439,663	622,780
-	-	1,192	6,503	9,388
-	-	-	150,705	150,705
-	1,935	16,343	19,829	38,107
11,890	25,150	28,699	-	83,758
12,970	27,085	97,517	11,464,601	12,115,392
238,161	196,514	1,205,931	73,387	2,883,270
			-	3,800
148,136	139,843	834,786	-	2,494,405
1,534	1,534	5,198	2,528,553	2,659,806
5,430	13,943	45,859	-	215,950
59,921	105,956	511,616	43,819	1,456,542
12,811	27,915	98,636	155,896	437,883
2,375	2,375	54,309	375,038	524,799
-	-	-	592,784	592,784
-	-	-	43,301	75,047
-	-	-	615,243	615,243
-	-	-	126,507	126,507
600	538	3,163	63,118	91,577
10,021	10,382	49,386	336,564	508,760
478,989	499,000	2,808,884	4,954,210	12,686,373
\$ (466,019)	\$ (471,915)	\$ (2,711,367)	\$ 6,510,391	\$ (570,981)

GEORGE MASON UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2006

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, 2006, 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 year ended June 30, 2006. 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 \$464,949 in support of University athletics in the form of direct contributions and other expenses for fiscal year ended June 30, 2006.

3. CAPITAL ASSETS

Capital assets include land, buildings and other improvements, equipment and infrastructure assets such as sidewalks, and electrical and computer network cabling systems. Capital assets are generally defined by the University as assets with an initial cost of \$2,000 or more and an estimated useful life in excess of one year. Intercollegiate 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, 2006:

Buildings	\$33,549,406
Construction in progress	3,994,349
Equipment	1,827,202
Improvements	5,534,240
Accumulated depreciation	<u>(17,483,886)</u>
Net property and equipment	<u>\$27,421,311</u>

4. VCBA NOTES PAYABLE

The University has entered into two promissory notes with the Virginia College Building Authority (VCBA) to finance intercollegiate athletic program facilities. The first note payable, issued in September 1997, was to finance the construction of the aquatic center located on the Fairfax campus. In October 2004, the University entered into another promissory note to finance an addition to the Fairfax Aquatic Center. The following schedule describes each of the 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 at June 30, 2006</u>
Fairfax Aquatic Center	1997	\$10,340,000	3.75 - 5.0%	20 Years	2017	\$ 2,230,000
Fairfax Aquatic Center Renovation	2004	6,785,000	3.00 - 5.0%	17 Years	2021	6,785,000
VCBA 2004 B refunding	2004	<u>4,940,000</u>	3.00 - 5.0%	15 Years	2019	<u>4,910,000</u>
Total		<u>\$22,065,000</u>				<u>\$13,925,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 795,000	\$ 629,928	\$ 1,424,928
2008	825,000	598,338	1,423,338
2009	860,000	564,930	1,424,930
2010	885,000	530,813	1,415,813
2011	920,000	494,256	1,414,256
2012-2016	5,335,000	1,732,250	7,067,250
2017-2021	<u>4,305,000</u>	<u>12,038</u>	<u>4,717,038</u>
Total	<u>\$13,925,000</u>	<u>\$4,962,553</u>	<u>\$18,887,553</u>

GEORGE MASON UNIVERSITY

BOARD OF VISITORS

As of June 30, 2006

Sidney O. Dewberry, Rector

Leonard Pomata, Vice Rector

William Page Johnson II, Secretary

Katherine Clark	Charlie H. Mills, III
Kathleen deLaski	Long Nguyen
Dennis Garcia	Sudhakar V. Shenoy
Harry F. Hopper III	J. Knox Singleton
Carol Merchant Kirby	William Soza
Byron F. Marchant	Ernst Volgenau
	D. Jean Wu

Nicholas Hamilton-Archer, Student Representative
Nishant Kolaskar, Student Representative

ADMINISTRATIVE OFFICERS

Alan G. Merten, President

Maurice W. Scherrens, Senior Vice President

Thomas O'Connor, Athletic Director

Jeanne Medford, Assistant Athletic Director for Finance

