

NORFOLK STATE UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2012**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

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Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 15, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon III
Chairman, Joint Legislative Audit
And Review Commission

Dr. Tony Atwater
President, Norfolk State 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 the **Norfolk State 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, 2012. 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 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, 2012, 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 performed an analytical review over the revenue and expense amounts reported in the Schedule in order to determine the reasonableness of amounts reported therein. The analytical review technique used to review the reported amounts was a trend analysis from current year to prior year. 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 reasonableness; however, ticket sale revenue was deemed to be immaterial for detailed testing.

10. 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 materially in agreement.
11. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away 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.
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 Norfolk State University Athletics Foundation, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs. Total contributions were deemed immaterial for detailed testing.
13. 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.
14. Intercollegiate Athletics Department management was not required to provide a listing of agreements related to participation in revenues from royalties, advertisements, and sponsorships as this amount was deemed immaterial for detailed testing.

Expenses

15. 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.
16. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing.
17. 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.
18. 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.

19. 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.
20. 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 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 Norfolk State 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 Norfolk State 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

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SCHEDULE

NORFOLK STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES
OF INTERCOLLEGIATE ATHLETICS PROGRAMS

For the year ended June 30, 2012

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 366,362	\$ 74,787	\$ 12,193	\$ -	\$ 3,403	\$ 456,745
Student fees	1,336,781	386,528	567,628	2,101,949	5,630,396	10,023,282
Guarantees	200,000	225,052	4,000	1,000	-	430,052
Contributions	9,135	8,860	540	26,817	229,117	274,469
NCAA conference distributions including all tournament revenues	-	-	-	-	569,005	569,005
Program sales, concessions, novelty sales, and parking	-	-	-	-	9,400	9,400
Royalties, advertisements and sponsorships	-	-	-	-	23,046	23,046
Other	-	-	-	-	84,258	84,258
Total operating revenues	<u>1,912,278</u>	<u>695,227</u>	<u>584,361</u>	<u>2,129,766</u>	<u>6,548,625</u>	<u>11,870,257</u>
Operating expenses:						
Athletic student aid	1,179,667	309,107	334,583	1,580,471	154,450	3,558,278
Guarantees	50,000	6,000	1,400	-	-	57,400
Coaching salaries, benefits, and bonuses	746,656	360,282	275,233	630,185	-	2,012,356
Support staff and administrative salaries, benefits and bonuses	-	-	-	-	1,485,801	1,485,801
Recruiting	21,071	33,359	29,042	15,087	143	98,702
Team travel	152,890	147,870	116,073	414,460	142,022	973,315
Equipment, uniforms, and supplies	78,521	7,301	11,499	73,854	772,972	944,147
Game expenses	29,750	34,500	29,770	33,766	74,444	202,230
Fund-raising, marketing and promotions	-	-	-	-	34,061	34,061
Direct facilities, maintenance and rental	-	-	-	6,192	480,657	486,849
Indirect facilities and administrative support	301,736	117,993	105,787	366,608	443,746	1,335,870
Medical expenses and medical insurance	-	-	-	-	141,944	141,944
Memberships and dues	-	1,000	678	2,834	42,566	47,078
Other	74,260	12,824	19,594	77,497	101,677	285,852
Total operating expenses	<u>2,634,551</u>	<u>1,030,236</u>	<u>923,659</u>	<u>3,200,954</u>	<u>3,874,483</u>	<u>11,663,883</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (722,273)</u>	<u>\$ (335,009)</u>	<u>\$ (339,298)</u>	<u>\$ (1,071,188)</u>	<u>\$ 2,674,142</u>	<u>\$ 206,374</u>

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

NORFOLK STATE UNIVERSITY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, using the accounting methods used by the University to monitor intercollegiate athletics program activities. The Schedule includes both those revenues and expenses for athletic programs under the direct accounting control of the University and those on behalf of the University's athletics programs by outside organizations not under the University's accounting control. 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. 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. CONTRIBUTIONS

The University received a \$569,005 distribution from the National Collegiate Athletic Association which was used for academic enhancement, and an additional \$274,469 in on behalf payments from the Athletics Foundation of Norfolk State University. The amounts received are included in the accompanying schedule as NCAA Distribution and contribution revenue, respectively.

3. CAPITAL ASSETS

Capital assets include land, buildings and other improvements, library materials, equipment and infrastructure assets such as parking lots, sidewalks, campus lighting, and computer network cabling systems. The University generally defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost and donated capital assets are recorded at the estimated fair market value at the date of contribution. Expenses for major capital assets and improvements are capitalized (construction-in-progress) as projects are constructed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	30 years
Other improvements and infrastructure	8-25 years
Equipment	4-20 years

A summary of capital asset balances for the year ending June 30, 2012 follows:

Depreciable capital assets:	
Buildings	\$33,062,256
Equipment	667,944
Infrastructure	103,500
Other improvements	<u>34,840</u>
Total depreciable capital assets	<u>\$33,868,540</u>
Less accumulated depreciation for:	
Buildings	\$20,143,851
Equipment	51,102
Infrastructure	31,913
Other improvements	<u>23,420</u>
Total accumulated depreciation	<u>\$20,250,286</u>
Total capital assets, net	<u>\$13,618,254</u>

4. LONG TERM DEBT

The University issued General Revenue Pledge Bonds in 1996 for \$9,260,000 to finance construction of a sports stadium. The bonds will be repaid with general operating revenue through 2018.

<u>Athletic Facility:</u>	<u>Interest Rates</u> <u>(Percent)</u>	<u>Maturity</u>	<u>Balance at</u> <u>June 30, 2012</u>
Dick Price Stadium Series 1996 (d)	5.000-5.375	2018	\$3,650,000

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 535,000	\$194,376
2014	560,000	166,289
2015	590,000	136,899
2016	620,000	105,619
2017	655,000	72,294
2018	<u>690,000</u>	<u>37,088</u>
Total	<u>\$3,650,000</u>	<u>\$933,191</u>

5. ADMINISTRATIVE COST RECOVERIES

The University recovers from each auxiliary enterprise an amount to reimburse for the cost of administrative support. For the year ended June 30, 2012, the University recovered \$1,335,870 of auxiliary support costs from the intercollegiate athletics department as reflected in the Schedule.

NORFOLK STATE UNIVERSITY
Norfolk, Virginia

BOARD OF VISITORS
As of June 30, 2012

Gary T. McCollum, Rector

Henry D. Light, Vice Rector

Crystal L. Lewis, Secretary

Willie L. Brown
Thomas Chewning
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OFFICIALS
As of January 15, 2013

Tony Atwater, President

Marty L. Miller, Director of Intercollegiate Athletics Programs

Kim Luckes, Executive Vice President for Operations

Sandra J. Deloatch, Provost and Vice President for Academic Affairs

Gregory A. Davis, Interim Vice President for Finance and Administration

Edward M. Willis, Vice President for Student Affairs

Stephen L. McDaniel, Interim Vice President for University Advancement