

VIRGINIA COMMONWEALTH UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2010**

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
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December 15, 2010

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) Bylaw 3.2.4.16, for the year ended June 30, 2010. 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 audits 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 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 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. 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 (Schedule) for the year ended June 30, 2010, 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 work sheet 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

reconciliations for selected games and found such reconciliations to be accurate and agreed to amounts recorded as ticket revenue for those games.

11. 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.
12. 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.
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 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.
14. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we selected and tested receipts of such revenue and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
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 inspected the agreements and verified the mathematical accuracy and coding of the distribution amounts. We found that revenue was properly computed and deposited promptly and intact.
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. This amount was deemed 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 compared and agreed the selected operating receipts to adequate supporting documentation. We found all reviewed amounts to be in agreement with supporting documentation 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 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 Programs. 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 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

JS/ alh

SCHEDULE

VIRGINIA COMMONWEALTH UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF INTERCOLLEGIATE ATHLETICS PROGRAMS
For the Year Ended June 30, 2010

	Non-Program Specific	Men's Basketball	Men's Baseball	Women's Basketball	Other Sports	Total
Operating revenues:						
University fee allocation	\$ 12,492,158	\$ -	\$ -	\$ -	\$ -	\$12,492,158
Conference and NCAA revenue sharing	555,576	-	-	-	-	555,576
Ticket sales	93,556	700,497	11,373	4,985	12,953	823,364
Game guarantees	-	-	1,000	5,000	-	6,000
Program sales	3,057,427	-	-	-	-	3,057,427
Contributions	1,011,579	37,924	26,851	4,300	38,952	1,119,606
Advertising and royalties	624,619	-	-	-	110	624,729
Indirect institutional support	299,733	-	-	-	-	299,733
Other	115,481	384	1,903	35	14,001	131,804
Total operating revenues	18,250,129	738,805	41,127	14,320	66,016	19,110,397
Operating expenses:						
Coaches salaries and fringe benefits	1,613,470	1,049,143	192,071	481,617	1,225,233	4,561,534
Other salaries, wages and fringe benefits	726,424	108,631	38,624	44,072	87,624	1,005,375
Medical expenses and insurance	279,747	3,263	-	2,229	27,281	312,520
Guarantees	177,270	85,495	11,667	-	-	274,432
Spirit groups	59,120	-	-	-	-	59,120
Financial aid	72,083	489,313	228,993	478,077	1,851,214	3,119,680
Memberships and dues	58,904	810	-	1,610	3,480	64,804
Team and administrative travel	211,661	254,970	103,715	143,440	400,454	1,114,240
Direct facilities maintenance	2,866,129	47,233	7,500	15,920	33,931	2,970,713
Supplies, materials and equipment	487,550	53,372	38,233	39,303	145,813	764,271
Recruiting	1,137	74,909	18,980	37,577	54,743	187,346
Fund raising	673,039	-	-	-	-	673,039
Game expenses	209,472	2,050	-	-	-	211,522
Indirect institutional support	299,733	-	-	-	-	299,733
Other	845,669	127,822	31,117	52,487	143,478	1,200,573
Total operating expenses	8,581,408	2,297,011	670,900	1,296,332	3,973,251	16,818,902
Excess/(deficiency) of operating revenues over/(under) operating expenses	\$ 9,668,721	\$(1,558,206)	\$(629,773)	\$(1,282,012)	\$(3,907,235)	\$ 2,291,495

** 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 Expenditures of Intercollegiate Athletics Programs are an integral part of this schedule.

VIRGINIA COMMONWEALTH UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2010

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs has 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, 2010. 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 \$72,115 at June 30, 2010. 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 \$43,885 at June 30, 2010. 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, 2010 were as follows:

Land improvements	\$ 1,666,439
Buildings	29,144,405
Equipment	<u>1,066,553</u>
Total cost	31,877,397
Less: accumulated depreciation	
Land improvements	1,630,840
Buildings	8,430,792
Equipment	<u>798,255</u>
Total accumulated depreciation	<u>10,859,887</u>
Total athletics related capital assets, net	<u>\$ 21,017,510</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:

A summary of future interest requirements
is as follows:

<u>Fiscal Year</u>	<u>Amount</u>	<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 223,788	2011	\$ 151,312
2012	238,788	2012	138,337
2013	251,629	2013	125,251
2014	266,764	2014	112,386
2015	280,007	2015	98,820
2016-2020	1,619,744	2016-2020	275,768
2021-2025	<u>375,000</u>	2021-2025	<u>9,375</u>
Total	<u>\$ 3,255,720</u>	Total	<u>\$ 911,249</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. Based on the square footage usage of the Recreation Center Facility, the Athletics is responsible for 55.5 percent of the debt.

The debt matures
as follows:

A summary of future interest requirements
is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 866,015
2012	890,010
2013	916,187
2014	944,546
2015	992,536
2016	<u>623,879</u>
Total	<u>\$ 5,233,173</u>

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 206,049
2012	182,234
2013	155,533
2014	128,048
2015	80,821
2016	<u>31,194</u>
Total	<u>\$ 783,879</u>

5. CONTRIBUTIONS

During the fiscal year ended June 30, 2010, the University received contributions from the Virginia Commonwealth University Foundation, totaling \$1,098,606 which constituted ten percent or more of total contributions.

VIRGINIA COMMONWEALTH UNIVERSITY

Richmond, Virginia

BOARD OF VISITORS

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