



VIRGINIA STATE UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS

FOR THE YEAR ENDED

JUNE 30, 2013

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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, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

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

Keith T. Miller
President, Virginia State 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 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 6.2.3.1.1, for the year ended June 30, 2013. 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, 2013, 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. We performed a walkthrough over Intercollegiate Athletics Department ticketing policies and procedures. Revenue from ticket sales was deemed immaterial for detailed testing.
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 settlement reports and game guarantee agreements for away games during the reporting period. This amount 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 Virginia State University Foundation, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs.
13. We agreed the listing of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, to total contributions in the Schedule. We found the amounts to be in agreement.
14. We compared amounts reported in the Schedule for indirect facilities and administrative support to supporting documentation. We found these amounts to be materially 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. This amount was deemed to be immaterial for detailed testing.
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. We obtained an understanding of the University's methodology for recording revenues from sport camps. This amount was deemed to be immaterial for detailed testing.
18. We obtained and inspected endowment agreements to gain an understanding of the relevant terms and conditions of the agreement. This amount was deemed to be immaterial for detailed testing.

Expenses

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. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed 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 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.

22. We discussed the Intercollegiate Athletics Department's use of NCAA Division II recruiting expense and team travel policies with management and documented an understanding of those policies. We found the use of these policies to be reasonable, and tested their effectiveness through detailed testing of disbursement transactions.
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 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 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 Virginia 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

EMS/clj

VIRGINIA STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2013

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 91,115	\$ 15,470	\$ -	\$ 1,100	\$ -	\$ 107,685
Student fees	-	-	-	-	4,101,091	4,101,091
Guarantees	50,000	39,500	-	-	-	89,500
Contributions	-	-	-	-	131,300	131,300
Indirect facilities and administrative support	-	-	-	-	657,186	657,186
Program sales, concessions, novelty sales, and parking	1,488	-	-	-	-	1,488
Royalties, advertisements and sponsorships	-	-	-	-	25,900	25,900
Sports camp revenues	-	1,975	1,400	320	-	3,695
Endowment and investment income	-	-	-	-	1,950	1,950
Other	-	-	-	765	3,858	4,623
Total operating revenues	142,603	56,945	1,400	2,185	4,921,285	5,124,418
Operating expenses:						
Athletic student aid	308,408	170,000	164,081	550,175	6,750	1,199,414
Coaching salaries, benefits, and bonuses paid by the University and related entities	410,181	188,776	154,214	231,375	-	984,546
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	-	-	-	-	679,723	679,723
Recruiting	1,691	3,386	986	2,909	-	8,972
Team travel	47,487	47,333	61,141	183,264	-	339,225
Equipment, uniforms, and supplies	61,919	11,098	11,855	53,495	-	138,367
Sports camp expenses	-	749	-	-	-	749
Direct facilities, maintenance and rental	14,532	19,118	3,000	1,877	287,976	326,503
Spirit groups	-	-	-	-	37,029	37,029
Indirect facilities and administrative support	-	-	-	-	657,186	657,186
Medical expenses and medical insurance	-	-	-	-	16,703	16,703
Memberships and dues	-	-	260	860	43,630	44,750
Other	119,533	57,683	48,003	95,004	413,255	733,478
Total operating expenses	963,751	498,143	443,540	1,118,959	2,142,252	5,166,645
Excess (deficiency) of revenues over (under) expenses	\$ (821,148)	\$ (441,198)	\$ (442,140)	\$ (1,116,774)	\$ 2,779,033	\$ (42,227)

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

VIRGINIA STATE UNIVERSITY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2013

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses for the University's Athletic Department has been prepared on the cash basis of accounting. The purpose of the Schedule is to present a summary of receipts and disbursements of the Intercollegiate Athletic Programs of the University for the year ended June 30, 2013. The Schedule includes both those receipts and disbursements for Athletic programs 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 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 the financial position, changes in financial position or cash flows for the year then ended. Receipts and disbursements directly identifiable with each category of sport presented are reported accordingly. Receipts and disbursements not directly identifiable to a specific sport are reported under the category "non-program specific".

2. CONTRIBUTIONS

The Schedule includes contributions of the Virginia State University Foundation (The Foundation) made on behalf of the athletics programs. This foundation was organized for fund-raising activities that support the welfare, efficiency and general objectives of the University. The Foundation's support of Virginia State University athletics totaled \$131,300.

3. ENDOWMENT FUNDS

A. Quasi- Endowment

During fiscal year 1998, the University established a quasi-endowment fund for athletic scholarships and certain other expenditures to support the athletic program. The University has made deposits into the quasi-endowment fund using a portion of guarantees received for participation in specific sporting events. As of June 30, 2013, earnings on the \$109,000 corpus since its inception total of \$71,736.

B. True-Endowment

As of June 30, 2013, earnings on the \$24,775 corpus since its inception total \$5,419.

4. CAPITAL ASSETS

Capital assets consisting of land, buildings, equipment, infrastructure assets, improvements other than buildings, inexhaustible works of art, and construction-in-progress are stated at appraised historical cost or actual cost, where determinable. Purchased or constructed capital assets are reported at actual cost or estimated historical cost. Donated capital assets are reported at fair value on the date

of acquisition. Library materials are valued using purchase price for library acquisitions. Equipment is capitalized when the acquisition cost is \$5,000 or greater and the estimated useful life is two years or more. Expenses for construction-in-progress are capitalized as incurred. Intangible assets are capitalized when the acquisition cost is \$100,000 or greater. Interest expenses relating to construction are capitalized, net of interest income earned on resources set aside for this purpose. For the University year ended June 30, 2013, interest expense exceeds interest earned by \$1,379,374 and was capitalized. For Athletics, no interest was capitalized in FY13. Infrastructure assets are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful life as follows:

Buildings	30-60 years
Infrastructure assets	15-20 years
Equipment	2-10 years
Intangible assets-computer software	5 years
Library books	5 years
Other improvements	20 years

A summary of athletic related capital assets for the year ending June 30, 2013, is presented as follows:

Depreciable capital assets:		
Building and building improvement	\$ 13,711,453	
Infrastructure	2,814,681	
Equipment	<u>418,777</u>	
Total depreciable capital assets		16,944,911
Less accumulated depreciation:		
Building and building improvement	3,011,465	
Infrastructure	1,278,404	
Equipment	<u>160,253</u>	
Total accumulated depreciation		<u>4,450,122</u>
Total capital assets, net		<u><u>\$ 12,494,789</u></u>

5. LONG-TERM DEBT

For debt related to the Intercollegiate Athletic Department, the University has issued Section 9(d) bonds pursuant to Article X of the *Constitution of Virginia*. These bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia, legally, morally, or otherwise. Pledged General Fund revenues include General Fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General

Assembly in 1996. The outstanding balance for the notes payable as of June 30, 2013 directly related to Roger Stadium is \$5,807,723.

<u>Description</u>	<u>Maturity</u>	<u>Balance at June 30, 2013</u>
VSU Pooled Bonds - 2002A Rogers Stadium Ref Portio, Series 2007B	2019	\$2,155,000
VSU 2002A Rogers Stadium Ref Portion, Series 2010B	2022	1,610,000
VSU Roger's Stadium Proj. - 2005 A Ref Portion, Series 2012A	2024	1,215,000
VSU Pooled Bonds - Roger's Stadium, Series 2005A	2025	665,000
Add unamortized premium (net of discount)		<u>162,723</u>
Total notes payable		<u>\$5,807,723</u>

Long-term debt matures as follows:

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 415,000	\$ 250,094	\$ 665,094
2015	435,000	230,519	665,519
2016	455,000	214,938	669,938
2017	475,000	192,631	667,631
2018	490,000	168,981	658,981
2019- 2023	2,830,000	482,031	3,312,031
2024- 2026	545,000	40,241	585,241
Add unamortized premium:	<u>162,723</u>	<u>-</u>	<u>162,723</u>
Total	<u>\$5,807,723</u>	<u>\$1,579,435</u>	<u>\$7,387,158</u>

6. OTHER EXPENSES

The Commonwealth's Appropriation Act requires that educational and general programs in institutions of higher education recover the full indirect cost of auxiliary enterprise programs. Therefore, the University assesses each auxiliary unit an "agency service charge" to recover institutional educational and general administrative costs. In fiscal year 2013, this charge to the Athletics Department amounted to \$572,128 and is included in the "other" expenditure line. Plant fund expenditures are not reflected in the accompanying schedules.

VIRGINIA STATE UNIVERSITY
Petersburg, Virginia

BOARD OF VISITORS
As of June 30, 2013

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