

GEORGE MASON UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2008**

APA
**Auditor of
Public Accounts**
COMMONWEALTH OF VIRGINIA

- TABLE OF CONTENTS -

	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES	1-5
SCHEDULE:	
Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	7-8
Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	9-10
UNIVERSITY OFFICIALS	11



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
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January 15, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
And Review Commission

Dr. 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**, 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, 2008. 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 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. The Intercollegiate Athletics Department 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, 2008, 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 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 budgeted allocations. We found these amounts to be materially in agreement.
12. Intercollegiate Athletics Program 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 verified the mathematical accuracy and coding of the settlement reports and game guarantee agreements. We found that revenue was properly computed and deposited promptly and intact.
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, 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. 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.
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. Intercollegiate Athletics Department management provided us with 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 verified the mathematical accuracy and coding of the settlement reports and game guarantee agreements. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.
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 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

JHS/wdh

SCHEDULE

GEORGE MASON UNIVERSITY
STATEMENT OF REVENUES AND EXPENSES
OF INTERCOLLEGIATE ATHLETICS PROGRAMS
For The Year Ended June 30, 2008

	Men's Basketball	Women's Basketball
Operating revenues:		
Ticket sales	\$ 463,099	\$ 13,828
Student fees	-	-
Game guarantees	4,400	-
Contributions	-	-
Direct institutional support	-	-
Indirect facilities and administrative support	-	-
NCAA and conference distributions including all tournament revenues	44,385	-
Program sales, concessions, novelty sales, and parking	-	-
Royalties, advertisements and sponsorships	-	-
Other	1,017	-
	<u>512,901</u>	<u>13,828</u>
Total operating revenues		
Operating expenses:		
Athletic student aid	387,303	488,027
Game guarantees	-	2,500
Coaching salaries, benefits, and bonuses	979,708	436,318
Support staff/administrative salaries, benefits and bonuses	98,557	71,650
Recruiting	116,519	49,191
Team travel	402,917	149,652
Equipment, uniforms, and supplies	73,786	44,686
Game expenses	53,082	39,598
Fund-raising, marketing and promotions	-	-
Spirit groups	11,842	10,393
Indirect facilities and administrative support	-	-
Medical expenses and medical insurance	-	-
Memberships and dues	5,087	4,615
Other	39,777	15,979
	<u>2,168,578</u>	<u>1,312,609</u>
Total operating expenses		
Excess (deficiency) of revenues over/(under) expenses for the year	<u>\$ (1,655,677)</u>	<u>\$ (1,298,781)</u>

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

Men's Soccer	Women's Soccer	Men's Track	Women's Track	Other Sports	Non-Program Specific	Total
\$ 5,629	\$ 7,320	\$ -	\$ -	\$ 46,917	\$ -	\$ 536,793
-	-	-	-	-	11,358,395	11,358,395
-	-	-	-	1,000	-	5,400
-	-	-	-	78,640	953,362	1,032,002
-	-	-	-	-	1,468,393	1,468,393
-	-	-	-	-	795,438	795,438
-	-	-	1,723	1,380	740,853	788,341
-	-	-	-	-	1,751	1,751
-	-	-	-	3,500	339,768	343,268
<u>13</u>	<u>6,570</u>	<u>9,260</u>	<u>9,260</u>	<u>65,271</u>	<u>10,902</u>	<u>102,293</u>
<u>5,642</u>	<u>13,890</u>	<u>9,260</u>	<u>10,983</u>	<u>196,708</u>	<u>15,668,862</u>	<u>16,432,074</u>
221,870	283,881	286,054	312,130	1,243,367	85,371	3,308,003
-	-	-	-	-	-	2,500
180,592	177,800	165,339	169,651	1,030,775	-	3,140,183
-	-	1,453	1,453	5,774	2,984,167	3,163,054
21,217	19,822	11,060	15,970	83,032	-	316,811
48,933	101,246	151,369	147,498	737,119	65,956	1,804,690
6,232	18,403	20,499	20,400	207,793	179,793	571,592
6,944	8,444	2,263	2,262	66,450	459,226	638,269
-	-	-	-	-	1,781,047	1,781,047
-	-	-	-	-	33,712	55,947
-	-	-	-	-	795,438	795,438
-	-	-	-	-	136,697	136,697
1,455	1,005	523	1,052	6,060	68,234	88,031
<u>3,828</u>	<u>3,377</u>	<u>9,854</u>	<u>11,157</u>	<u>57,530</u>	<u>467,254</u>	<u>608,756</u>
<u>491,071</u>	<u>613,978</u>	<u>648,414</u>	<u>681,573</u>	<u>3,437,900</u>	<u>7,056,895</u>	<u>16,411,018</u>
<u>\$(485,429)</u>	<u>\$(600,088)</u>	<u>\$(639,154)</u>	<u>\$(670,590)</u>	<u>\$(3,241,192)</u>	<u>\$ 8,611,967</u>	<u>\$ 21,056</u>

GEORGE MASON UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2008

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, 2008, 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, 2008. 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. AFFILIATED ORGANIZATION

The Schedule includes transactions with 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 \$953,362 in support of University athletics in the form of direct contributions and other expenses for fiscal year ended June 30, 2008.

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. Athletics follow 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, 2008:

Buildings	\$42,442,747
Construction in progress	19,069,544
Equipment	2,372,970
Improvements	6,109,986
Accumulated depreciation	<u>(20,053,749)</u>
Net property and equipment	<u>\$49,941,498</u>

4. NOTES PAYABLE

The University has entered into nine 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. This note was partially refinanced in 2004. In October 2004, the University entered into another promissory note to finance an addition to the Fairfax Aquatic Center. In 2006, the University entered into three promissory notes to finance a two phased addition to the PE Building and an addition/renovation of the Patriot Center. In 2007, the University entered into four promissory notes for additional financing for the PE Building Addition, for Softball Field Improvements, and to refund the 1997 debt for 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 Outstanding at June 30, 2008</u>
Fairfax Aquatic Center (renovation)	2004	\$ 6,785,000	3.0 - 5.0%	16 Years	2020	\$ 6,105,000
VCBA 2004 B (partial refunding of 1997A, Fairfax Aquatic Center)	2004	4,940,000	3.0 - 5.0%	12 Years	2016	4,904,612
PE Building (addition)	2006	6,035,000	3.0 - 5.0%	22 Years	2028	6,035,000
PE Building (addition, Phase 2)	2006	2,800,000	3.0 - 5.0%	22 Years	2028	2,800,000
Patriot Center (addition/renovation)	2006	8,200,000	3.0 - 5.0%	21 Years	2027	8,200,000
PE Building (addition, RB2)	2007	8,555,000	4.5 - 5.0%	20 Years	2027	8,555,000
PE Building (addition, Phase 2, RB2)	2007	3,820,000	4.5 - 5.0%	20 Years	2027	3,820,000
Softball Field Improvements	2007	1,510,000	5.0%	10 Years	2017	1,510,000
VCBA 2007 B (refunding 1997A, Fairfax Aquatic)	2007	<u>1,300,979</u>	4.0 - 4.25%	10 Years	2017	<u>1,300,979</u>
Total		<u>\$43,945,979</u>				<u>\$43,230,591</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,230,020	\$ 951,738	\$ 2,181,758
2010	1,947,155	1,910,546	3,857,701
2011	2,026,812	1,822,437	3,849,249
2012	2,126,126	1,722,001	3,848,127
2013	2,235,440	1,612,980	3,848,420
2014-2018	13,040,038	6,224,920	19,264,958
2019-2023	9,820,000	3,306,663	13,126,663
2024-2028	10,170,000	1,089,425	11,259,425
2029-2033	<u>635,000</u>	<u>9,524</u>	<u>644,524</u>
Total	<u>\$43,230,591</u>	<u>\$18,650,234</u>	<u>\$61,880,825</u>

GEORGE MASON UNIVERSITY

BOARD OF VISITORS

As of June 30, 2008

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J. Knox Singleton, Vice Rector

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Lindsay M. Straley, Student Representative

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Thomas J. O'Connor, Assistant Vice President/Director of Athletics

Jeanne Medford, Director, Intercollegiate Athletics Business Financial Services