

**NORFOLK STATE UNIVERSITY**

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

---

---

***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
Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	8- 9
UNIVERSITY OFFICIALS	10



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

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

January 11, 2007

The Honorable Timothy M. Kaine  
Governor of Virginia

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

Dr. Carolyn W. Meyers  
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 **Norfolk State 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 (Schedule) 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 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 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 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. Based on an analytical review of the amount reported in the Schedule, we consider the revenue from game guarantee agreements for away games to be reasonable. We deemed these revenues to be immaterial for further 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 Norfolk State University Athletics Foundation, an affiliated organization, and the Mid-Eastern Athletic Conference, we noted no individual contribution, which constituted more than ten percent of total contributions received for Intercollegiate Athletics Department.
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. Based on an analytical review of the amount reported in the Schedule, we consider the revenue related to participation in tournaments, conference distributions, and NCAA distributions to be reasonable. We deemed these revenues to be immaterial for detailed testing.
16. We obtained an understanding of the University's methodology for recording revenues from sport camps and inspected any sports-camp contracts between the University and persons conducting sport-camps or clinics during reporting period. 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 an analytical review of the amount reported in the Schedule, we consider expenses from game guarantee agreements for home games to be reasonable. We deemed these expenses to be immaterial for further 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 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 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 the 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 the 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:sks  
sks: 46

## **SCHEDULE**

NORFOLK STATE UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENSES  
OF INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the Year Ended June 30, 2006

	Administration and General	Football	Men's Basketball	Women's Basketball	Other Sports	Total
<b>Revenues:</b>						
Ticket sales	\$ -	\$ 365,479	\$ 30,080	\$ 5,807	\$ -	\$ 401,366
Student activity fees	1,710,435	1,516,807	526,309	464,069	1,679,825	5,897,445
Game guarantees	-	-	255,000	-	1,000	256,000
Contributions	49,675	21,677	47,078	29,098	38,846	186,374
Third party support	51,571	-	-	-	-	51,571
NCAA and conference distributions	228,652	-	-	-	-	228,652
Concessions	10,100	-	-	-	-	10,100
Other	30,786	1,150	-	-	800	32,736
<b>Total revenues</b>	<b>2,081,219</b>	<b>1,905,113</b>	<b>858,467</b>	<b>498,974</b>	<b>1,720,471</b>	<b>7,064,244</b>
<b>Expenses:</b>						
Financial aid	-	882,678	275,336	205,090	1,087,208	2,450,312
Game guarantees	-	-	-	100	-	100
Coaching salaries, benefits, and bonuses paid by the University	-	589,050	267,869	241,068	372,871	1,470,858
Administrative salaries, benefits, and bonuses paid by the University	976,305	-	4,602	-	6,678	987,585
Recruiting	3,177	32,130	13,843	16,302	5,141	70,593
Travel	20,826	107,414	151,870	54,973	242,846	577,929
Uniforms, supplies, and equipment	166,220	62,004	58,811	10,847	104,182	402,064
Game expenses	728	27,612	16,500	18,150	23,721	86,711
Marketing and promotion	28,680	7,911	15,664	15,596	6,982	74,833
Direct facilities, maintenance, and rental	362,020	1,843	-	-	1,694	365,557
Auxiliary administration	203,788	153,926	87,723	46,014	150,935	642,386
Other	100,755	-	-	-	-	100,755
<b>Total expenses</b>	<b>1,862,499</b>	<b>1,864,568</b>	<b>892,218</b>	<b>608,140</b>	<b>2,002,258</b>	<b>7,229,683</b>
Excess/(deficiency) of revenues over/(under) expenses	\$ 218,720	\$ 40,545	\$ (33,751)	\$ (109,166)	\$ (281,787)	\$ (165,439)

The accompanying Notes to 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, 2006

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, 2006, 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 "Administration and General."

2. CONTRIBUTIONS

The University received \$21,700 from the Mid-Eastern Athletic Conference, which the University uses specifically for athletic scholarships and \$164,673 in on behalf payments from the Athletics Foundation of Norfolk State University, each of which totals at least ten percent of total contributions. The amounts received are included in the accompanying schedule as contribution revenue.

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, 2006 follows:

Depreciable capital assets:	
Buildings	\$23,581,386
Equipment	35,286
Infrastructure	103,500
Other improvements	<u>34,840</u>
Total depreciable capital assets	<u>23,755,012</u>
Less accumulated depreciation for:	
Buildings	9,997,913
Equipment	25,759
Infrastructure	9,056
Other improvements	<u>9,484</u>
Total accumulated depreciation	<u>10,042,212</u>
Total capital assets, net	<u>\$13,712,800</u>

#### 4. 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, 2006, the University recovered \$642,386 of auxiliary support costs from the Intercollegiate Athletics Department as reflected in the Schedule.

NORFOLK STATE UNIVERSITY

BOARD OF VISITORS

Jack L. Ezzell, Jr., Rector

Renitalynette K. Anderson	Howard P. Kern
Virginia M. Board	Henry D. Light.
Willie L. Brown	Donald H. Patterson, Jr.
Teresa H. Carrington	Judith L. Rosenblatt
Viola M. Madison-Foreman	Dr. Jacquelyn Y. Madry-Taylor
Stanley Green, Jr.	Bobby N. Vassar

Thomas E. Moore, Student Representative

OFFICIALS

Dr. Carolyn W. Meyers, President

Earlie P. Horsey, Interim Vice President for Administration and Finance

Marty L. Miller, Athletic Director