



GEORGE MASON UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2017

Auditor of Public Accounts
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Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 16, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
And Review Commission

Dr. Ángel Cabrera
President, George Mason University

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING 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) Constitution 3.2.4.15.1, for the year ended June 30, 2017. University management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) and the Schedule's compliance with NCAA requirements. 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

Procedures described below were limited to material items. For the purpose of this report, and as defined in the agreed-upon procedures, items are considered material if they exceed four percent of total revenues or total expenses, as applicable. The procedures that we performed and our findings are as follows:

Internal Controls

1. 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 a current organizational chart. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, protection of records and equipment, and controls regarding information systems with the information technology department.
3. Intercollegiate Athletics Department management provided us with their process for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the University's Intercollegiate Athletics Programs. We tested these procedures as noted below.

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 for the year ended June 30, 2017, 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 trial balance worksheets, and agreed the amounts in management's trial balance worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. Certain adjustments to the Schedule, as noted in the procedures and results below, were necessary to conform to NCAA reporting guidance. We discussed the nature of adjusting journal entries with management and are satisfied that the adjustments are appropriate.

8. We compared each major revenue and expense account over ten percent of total revenues or total expenses, respectively, to prior period amounts and budget estimates. Variances exceeding ten percent of prior period amounts or budget estimates are explained below:

<u>Line Item</u>	<u>Explanation</u>
Athletic Student Aid	Increases in tuition, room, and board rates directly affected the increase of athletic student aid. Additionally, coaches used more of their allotted aid than in the previous year.

Revenues

9. We obtained the amount of ticket sales revenue during the reporting year from the Schedule. This amount was deemed to be immaterial for detailed testing.
10. We obtained an understanding of the institution’s methodology for allocating student fees to intercollegiate athletics programs. 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 substantially in agreement with minor differences attributed to the methodology used for projecting student fee revenue.
11. We compared amounts reported in the Schedule for direct institutional support to institutional budget transfer documentation and/or other corroborative supporting documentation, and noted them to be substantially in agreement.
12. We compared amounts reported in the Schedule for indirect institutional support to expense payments, cost allocation detail and other corroborative supporting documentation and noted them to be substantially in agreement.
13. We ensured the Schedule properly includes revenue related to debt service, leases, and rental fees paid by the institution for or on behalf of athletics.
14. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for away games during the reporting period. Game guarantee revenue was deemed to be immaterial for detailed testing.
15. 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 George Mason University Foundation, an affiliated organization, we noted no individual contribution that constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs. We reviewed contributions from the George Mason University

Foundation, which exceeded ten percent of all contributions and agreed them to supporting documentation. An adjustment to the Schedule was made to exclude contributions received for capital projects during fiscal year 2017 and 2018 as capital-related revenues, and revenues for fiscal year 2018, should be excluded from the Schedule per NCAA guidance.

16. We obtained the amount of revenue from broadcast, television, radio, internet, and e-commerce rights reported in the Schedule for the reporting year. This amount was deemed to be immaterial for detailed testing.
17. 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.
18. We obtained the amount of program sales, concessions, novelty sales, and parking revenue in the reporting year from the Schedule. This amount was deemed to be immaterial for detailed testing.
19. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, licensing, advertisements, and sponsorships. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
20. We obtained the amount of other revenue recorded during the reporting year from the Schedule. This amount was deemed to be immaterial for detailed testing.

Expenses

21. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. Since the University used the NCAA Compliance Assistant software to prepare athletic aid detail, we selected ten percent of individual student-athletes across all sports and obtained the students' account detail from the institution's student information system. We agreed each student's information to the information reported in the NCAA Membership Financial Reporting System. The total aid amount for each sport agreed to amounts reported as Financial Aid in the student accounting system except for a difference of \$3,872 in the "other sports" column.
22. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for home games during the reporting period. Game guarantee expenses were deemed to be immaterial for detailed testing.
23. 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, including men's and women's

basketball coaches, 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.

24. 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.
25. We selected a sample of disbursements for recruiting and team travel expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, reasonable to intercollegiate athletics, and properly recorded in the accounting records.
26. We obtained a listing of debt service payments, lease payments, and rental fees for athletics facilities for the reporting year. We agreed all significant facility payments included in the Schedule, including the two highest payments, to supporting documentation.
27. We obtained an understanding of the University's methodology for charging indirect cost to the athletic department. We evaluated indirect cost charges for reasonableness and noted proper reporting of these charges in the Schedule.

Other Reporting Items

28. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculated annual maturities reporting in the notes to the Schedule and agreed total annual maturities and total outstanding athletic related debt to supporting documentation.
29. We agreed total outstanding institutional debt to supporting debt schedules and the University's unaudited financial statements, as the audited financial statements were not yet available.
30. We agreed the fair value of athletics dedicated endowments to supporting documentation provided by the University.
31. We agreed the fair value of institutional endowments to supporting documentation, including the audited financial statements of the University's Foundation.
32. We obtained a schedule of athletics related capital expenditures made during the period. Capital expenses were deemed to be immaterial for detailed testing.

Additional Procedures

33. We compared the sports sponsored, as reported in the NCAA Membership Financial Reporting System, to the squad lists of the institution. We noted agreement of the sports reported.
34. We obtained the institution's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports identified by the institution met the minimum requirements for number of contests and minimum number of participants as defined in NCAA Bylaw 20.9.6.3. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.
35. We obtained a listing of student-athletes receiving Pell Grant awards from the institution's student information system and agreed the total value of these Pell Grants to the amount reported in the NCAA Membership Financial Reporting System. We noted agreement of the amounts reported.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, the objective of which would be the expression of 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 the 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 the George Mason University or its Intercollegiate Athletics Department taken as a whole.

The 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

GEORGE MASON UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2017

	Men's Basketball	Women's Basketball	Men's Soccer	Women's Soccer	Men's Track	Women's Track	Other Sports	Non-Program Specific	Total
Operating revenues:									
Ticket sales	\$ 702,293	\$ 16,175	\$ 6,861	\$ 7,270	\$ 3,971	\$ 3,231	\$ 32,648	\$ 4,695	\$ 777,143
Student fees	-	-	-	-	-	-	-	15,155,034	15,155,034
Direct institutional support	-	-	-	-	-	-	-	264,507	264,507
Indirect institutional support	-	-	-	-	-	-	-	1,415,101	1,415,101
Indirect institutional support - athletic facilities debt service, lease and rental fees	-	-	-	-	-	-	-	5,434,843	5,434,843
Guarantees	-	2,500	-	-	-	-	-	-	2,500
Contributions	686,144	10,964	7,341	3,864	3,346	2,692	229,048	428,867	1,372,266
Media rights	-	-	-	-	-	-	-	189,025	189,025
NCAA distributions	-	-	-	-	1,501	1,221	2,700	1,692,901	1,698,323
Conference distributions (non-media and non-bowl)	14,685	8,220	-	11,725	4,459	3,628	46,715	107,310	196,742
Program, novelty, parking, and concession sales	-	-	-	-	-	-	-	6,559	6,559
Royalties, licensing, advertisement and sponsorships	773,962	-	-	-	-	-	292	2,104,584	2,878,837
Athletics restricted endowment and investments income	-	-	-	-	-	-	-	45,157	45,157
Other operating revenue	17,778	278	104	72	24,369	19,826	78,816	71,807	213,050
Total operating revenues	2,194,862	38,136	14,306	22,931	37,647	30,597	390,218	26,920,390	29,649,087
Operating expenses:									
Athletic student aid	901,245	971,608	434,619	499,416	413,244	618,187	2,212,435	181,691	6,232,445
Guarantees	255,000	27,000	1,500	-	-	-	5,000	-	288,500
Coaching salaries, benefits, and bonuses paid by the University and related entities	1,528,157	605,264	227,164	226,428	208,685	169,777	1,428,381	-	4,393,856
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	401,136	134,373	-	2,220	-	-	118	4,238,883	4,776,731
Recruiting	100,515	134,112	18,095	21,717	11,368	9,249	95,677	-	390,733
Team travel	544,387	250,533	68,704	76,498	202,115	164,402	876,611	74,000	2,257,249
Sports equipment, uniforms, and supplies	62,591	43,219	19,955	14,799	40,697	33,110	342,538	672,568	1,229,477
Game expenses	127,303	73,161	10,189	9,093	15,701	12,774	100,453	237,075	585,749
Fundraising, marketing and promotion	-	-	-	-	-	-	-	846,756	846,756
Spirit groups	7,773	5,944	-	-	-	-	-	31,423	45,140
Athletic facility leases and rental fees	-	-	-	-	-	-	-	132,959	132,959
Athletic facility debt service	-	-	-	-	-	-	-	5,434,843	5,434,843
Direct overhead and administrative expenses	46,013	26,726	1,520	2,264	6,291	5,118	41,704	577,544	707,179
Indirect institutional support	-	-	-	-	-	-	-	1,415,101	1,415,101
Medical expenses and insurance	5,550	1,950	181	262	458	372	5,787	160,177	174,736
Memberships and dues	620	813	625	625	516	419	7,926	114,145	125,690
Student-Athlete Meals (non-travel)	56,064	40,089	13,792	18,494	25,767	20,963	84,482	-	259,651
Other operating expenses	53,739	15,515	590	1,346	10,174	8,277	92,593	170,058	352,293
Total operating expenses	4,090,092	2,330,305	796,935	873,162	935,017	1,042,649	5,293,704	14,287,224	29,649,087
Excess (deficiency) of revenues over (under) expenses	\$ (1,895,229)	\$ (2,292,169)	\$ (782,629)	\$ (850,231)	\$ (897,370)	\$ (1,012,052)	\$ (4,903,487)	\$ 12,633,166	\$ -
Other Reporting Items:									
Total athletics-related debt									\$ 35,588,087
Total institutional debt									\$598,832,885
Value of athletics-dedicated endowments									\$ 2,016,682
Value of institutional endowments									\$ 77,692,437
Total athletics-related capital expenditures									\$ 670,774

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

GEORGE MASON UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
AS OF JUNE 30, 2017

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 accrual basis revenues and expenses of the University's intercollegiate athletics programs for the year ended June 30, 2017, and includes both those intercollegiate athletic revenues and expenses 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 fiscal year ended June 30, 2017. 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. RELATED PARTY TRANSACTIONS

The Schedule includes transactions of 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 \$1,372,266 in support of University athletics in the form of direct contributions and other expenses for the fiscal year ended June 30, 2017. An additional amount of \$304,509 was received at the end of the fiscal year and will be spent on capital projects in the next fiscal year.

3. CAPITAL ASSETS

Capital assets include land, buildings and other improvements, equipment, and infrastructure. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Athletics follows 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, 2017:

Buildings	\$89,103,963
Construction in progress	9,738
Equipment	5,921,556
Improvements	10,880,356
Accumulated depreciation	<u>(50,016,386)</u>
Net property and equipment	<u>\$55,899,227</u>

4. VCBA NOTES PAYABLE

The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue secures these notes. The following schedule describes each of the athletically related notes outstanding:

Bond Title	Issue Date	Original Amount	Interest Rate	Bond Term	Final Payment Due	Balance Outstanding at June 30, 2017
PE Building (addition, RB2)	2007	\$ 8,555,000	4.5 - 5.0%	20 Years	2028	\$ 415,000
PE Building (addition, Phase 2, RB2)	2007	3,820,000	4.5 - 5.0%	20 Years	2028	185,000
Softball Field Improvements	2007	1,510,000	5.00%	10 Years	2018	185,000
VCBA 2007 B (refunding 1997A, Fairfax Aquatic)	2007	1,300,979	4.0 - 4.25%	10 Years	2018	784,979
PE Building, Phase I	2009	2,750,000	2.1 - 5.0%	20 Years	2029	400,000
PE Building, Phase II	2009	5,245,000	2.1 - 5.0%	20 Years	2029	770,000
Fieldhouse Life/Safety/Code Renovation	2010	1,395,000	3.75 - 5.5%	20 Years	2031	1,120,000
Repair Aquatic & Fitness Center HVAC	2010	2,325,000	2.0 - 5.0%	10 Years	2021	1,060,000
VCBA 2012 A (partial refunding of 2004A, Fairfax Aquatic Center)	2012	3,130,000	5.00%	8 Years	2021	2,190,000
Fieldhouse Life/Safety/Code Renovation	2012	3,060,000	4.0 - 5.0%	10 Years	2023	698,108
Renovate Fieldhouse	2013	3,230,000	1.0 - 3.5%	10 Years	2024	2,570,000
VCBA 2013 B (Refunding of 2006A, Patriot Center)	2013	7,280,000	1.0 - 4.0%	14 Years	2028	5,930,000
VCBA 2013 B (Refunding of 2009A, Patriot Center)	2013	1,845,000	1.0 - 4.0%	15 Years	2029	1,530,000
VCBA 2014 B (partial refunding of 2006A, PE Addition/Renovation)	2014	2,070,000	3.0 - 5.0%	9 Years	2024	2,070,000
VCBA 2014 B (partial refunding of 2006A, PE Addition Phase II)	2014	950,000	3.0 - 5.0%	9 Years	2024	950,000
VCBA 2014 B (partial refunding of 2007A, PE Addition)	2014	3,950,000	3.0 - 5.0%	11 Years	2026	3,950,000
VCBA 2014 B (partial refunding of 2007A, PE Addition Phase II)	2014	1,765,000	3.0 - 5.0%	11 Years	2026	1,765,000
VCBA 2015 B (partial refunding of 2009A, PE Bldg Ph I)	2015	1,580,000	3.0 - 5.0%	13 Years	2029	1,580,000
VCBA 2015 B (partial refunding of 2009A, PE Bldg Ph II)	2015	3,020,000	3.0 - 5.0%	13 Years	2029	3,020,000
VCBA 2016 A (partial refunding of 2006A, PE Addition/Renovation)	2016	1,750,000	3.0 - 5.0%	12 Years	2029	1,750,000
VCBA 2016 A (partial refunding of 2006A, PE Addition Phase II)	2016	805,000	3.0 - 5.0%	12 Years	2029	805,000
VCBA 2016 A (partial refunding of 2007A, PE Addition)	2016	1,285,000	3.0 - 5.0%	11 Years	2028	1,285,000
VCBA 2016 A (partial refunding of 2007A, PE Addition Phase II)	2016	575,000	3.0 - 5.0%	11 Years	2028	575,000
Total		<u>\$ 63,195,979</u>				<u>\$ 35,588,087</u>

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

Fiscal Year	Principal	Interest	Total
2018	\$ 4,142,219	\$1,391,897	\$ 5,534,116
2019	3,262,032	1,237,810	4,499,842
2020	3,413,423	1,100,905	4,514,328
2021	3,554,813	960,250	4,515,063
2022	2,794,605	828,070	3,622,675
2023-2027	14,005,995	2,345,427	16,351,422
2028-2032	<u>4,415,000</u>	<u>175,863</u>	<u>4,590,863</u>
Total	<u>\$35,588,087</u>	<u>\$8,040,222</u>	<u>\$43,628,309</u>

5. INDIRECT INSTITUTIONAL SUPPORT

The University provides certain facilities and services to Auxiliary Enterprises (AE). The University charges AE for these indirect costs using an AE indirect cost rate established under a program managed by the State Council of Higher Education for Virginia (SCHEV). As part of AE, the Athletics Program benefits from these indirect costs, but AE does not charge the Athletics Program for its share of these costs. In accordance with the NCAA’s 2017 Agreed-Upon Procedures manual, the value of these indirect costs are to be reported on the Schedule of Revenues and Expenses on both the operating revenues line titled Indirect Institutional Support and the operating expenses line titled Indirect Institutional Support.

The University pays the debt service for Athletic Facilities but does not charge the Athletics Program for the debt service payments. In accordance with the NCAA’s 2017 Agreed-Upon Procedures manual, the value of these debt service payments for the current fiscal year are to be reported on the Schedule of Revenues and Expenses on both the operating revenues line titled Indirect Institutional Support- Athletic Facilities Debt Service, Lease and Rental Fees and the operating expenses line titled Athletic Facilities Debt Service.

GEORGE MASON UNIVERSITY

As of June 30, 2017

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