



# NORFOLK STATE UNIVERSITY

## INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2018

Auditor of Public Accounts  
Martha S. Mavredes, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

(804) 225-3350



## –TABLE OF CONTENTS–

### Pages

INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES	1-7
SCHEDULE	
Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	8
Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	9-11
UNIVERSITY OFFICIALS	12



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

February 4, 2019

The Honorable Ralph S. Northam  
Governor of Virginia

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

Dr. Melvin T. Stith  
Interim President  
Norfolk State 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 **Norfolk 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 3.2.4.15.1, for the year ended June 30, 2018. 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. The audit of the financial statements of the Norfolk State University Athletic Foundation was not complete at the time of this engagement and as such, we were unable to review the results of the audit.
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.

## **Schedule of Revenues and Expenses of Intercollegiate Athletics Programs**

6. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2018, 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 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.
7. 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>
Direct Institutional Support	Intercollegiate Athletics had an increased deficit in the current year, which resulted in an 11 percent increase in this revenue source. The University provided direct funds to support the operations of intercollegiate athletics, which were mostly comprised of auxiliary reserve funds. The increase in this revenue source is mainly attributable to decreases in other outside revenue sources during the fiscal year.

### **Revenues**

8. We obtained the amount of ticket sales revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
9. We obtained documentation 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.
10. We compared amounts reported in the Schedule for direct institutional support to institutional budget transfer documentation and/or other corroborative supporting documentation.
11. We obtained the amount of debt service paid by the institution on behalf of Athletics from the Schedule. This amount was deemed to be immaterial for detailed testing.
12. We obtained the amount of game guarantee revenue from the Schedule. 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 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 Norfolk State University Athletic Foundation, an affiliated organization, we noted no individual contribution, which constituted more than ten percent of total contributions received for

Intercollegiate Athletics Programs. We reviewed contributions from the Norfolk State University Athletic Foundation, which exceeded ten percent of all contributions and agreed them to supporting documentation. The University initially recorded some contributions as other operating revenue, requiring a reclassification of \$56,550 to this line item to properly report contributions in accordance with NCAA reporting guidance. Following the reclassification, amount reported as contributions revenue agrees to supporting documentation provided by the University and Athletic Foundation.

14. We obtained the amount of in-kind revenue from the Schedule. This amount was deemed immaterial for detailed testing.
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 terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
16. We obtained the amount of program, novelty, parking, and concession sales revenue from the Schedule. This amount was deemed immaterial for detailed testing.
17. We obtained the amount of royalties, licensing, advertisement, and sponsorships revenue from the Schedule. This amount was deemed immaterial for detailed testing.
18. We obtained the amount of other operating revenue from the Schedule. This amount was deemed to be immaterial for detailed testing. As noted in item 13 above, an adjustment was made to reclassify \$56,550 from this line item to contributions revenue to properly report all contributions made to the Athletics Department from the Athletic Foundation.

### **Expenses**

19. 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. We performed a check of selected students' information as reported in the NCAA Membership Financial Reporting System to ensure proper calculation of revenue distribution equivalencies. The Athletics Department reallocated \$223,959 in student aid expenses from the Non-Program Specific category and instead allocated by sport, to properly classify summer and fifth year expenses for active athletes. The Athletics Department reclassified \$39,747 in work study expenses to Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities,

consistent with NCAA reporting guidance. Following this adjustment, we ensured that the total aid amount for each sport agreed to amounts reported as Financial Aid in the student accounting system.

20. We obtained the amount of game guarantee expense from the Schedule. 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, including football and 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. As noted in item 19 above, the Athletics Department reclassified \$39,747 in work study expenses from student aid expense to this line item, to properly report these expenses per NCAA reporting guidance. After this adjustment, we found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.
22. We obtained the Intercollegiate Athletics Department's written recruiting and team travel policies from 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.
23. We selected a sample of disbursements for team travel; sports equipment, uniforms, and supplies; direct overhead and administration; and other operating 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.
24. We obtained the amount of athletic facility debt service expense from the Schedule. This amount was deemed to be immaterial for detailed testing.
25. 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**

26. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculated annual maturities reported in the notes to the Schedule and agreed total annual maturities and total outstanding athletic related debt to supporting documentation.

27. We agreed total outstanding institutional debt to supporting debt schedules and the University's audited financial statements.
28. We agreed the fair value of athletics dedicated endowments to supporting documentation provided by the University.
29. We agreed the fair value of institutional endowments to supporting documentation, the institution's general ledger, and the audited financial statements of the University's Foundation, as applicable.
30. We obtained a schedule of athletics related capital expenditures made during the period. We selected a sample of transactions to validate existence and accuracy of recording and recalculated totals.

#### **Additional Procedures**

31. We compared the sports sponsored, as reported in the NCAA Membership Financial Reporting System, to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from the NCAA's Compliance Assistant software for the institution. We noted agreement of the sports reported.
32. 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.
33. 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 Norfolk 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 Norfolk 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

**NORFOLK STATE UNIVERSITY**  
**SCHEDULE OF REVENUES AND EXPENSES OF**  
**INTERCOLLEGIATE ATHLETICS PROGRAMS**  
**For the year ended June 30, 2018**

	<b>Football</b>	<b>Men's Basketball</b>	<b>Women's Basketball</b>	<b>Other Sports</b>	<b>Non-Program Specific</b>	<b>Total</b>
<b>Operating revenues:</b>						
Ticket sales	\$ 406,924	\$ 74,721	\$ 10,233	\$ -	\$ -	\$ 491,878
Student fees	-	-	-	-	6,476,344	6,476,344
Direct institutional support	2,848	800	2,384	-	4,570,000	4,576,032
Indirect institutional support - athletic facilities debt service, lease and rental fees	-	-	-	-	287,004	287,004
Guarantees	-	240,349	30,000	1,500	-	271,849
Contributions	-	-	-	-	240,838	240,838
In-Kind	90,416	39,991	26,836	23,252	16,997	197,492
NCAA distributions	-	-	-	-	816,133	816,133
Program, novelty, parking, and concession sales	18,631	8,767	-	-	37,457	64,855
Royalties, licensing, advertisement and sponsorships	48,675	21,050	16,100	43,500	198,692	328,017
Other operating revenue	530	110	-	-	26,856	27,496
Total operating revenues	<u>568,024</u>	<u>385,788</u>	<u>85,553</u>	<u>68,252</u>	<u>12,670,321</u>	<u>13,777,938</u>
<b>Operating expenses:</b>						
Athletic student aid	1,338,628	398,354	419,860	1,901,943	-	4,058,785
Guarantees	50,000	4,500	-	-	-	54,500
Coaching salaries, benefits, and bonuses paid by the University and related entities	925,148	451,951	349,346	749,588	7,059	2,483,092
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	32,891	320	3,378	3,457	1,772,725	1,812,771
Recruiting	29,833	44,763	19,386	8,947	1,428	104,357
Team travel	137,376	220,101	108,637	422,301	21,879	910,294
Sports equipment, uniforms, and supplies	171,720	56,708	44,012	134,469	375,921	782,830
Game expenses	99,200	71,942	60,843	41,580	-	273,565
Fundraising, marketing and promotion	40,550	21,728	13,550	43,500	104,708	224,036
Athletic facility debt service	-	-	-	-	287,004	287,004
Direct overhead and administrative expenses	9,233	3,630	3,360	2,398	509,687	528,308
Indirect cost paid to the institution by athletics	256,283	148,980	114,786	220,942	274,497	1,015,488
Medical expenses and insurance	-	-	-	-	184,614	184,614
Memberships and dues	-	-	-	900	47,520	48,420
Other operating expenses	47,332	36,956	66,643	48,049	810,894	1,009,874
Total operating expenses	<u>3,138,194</u>	<u>1,459,933</u>	<u>1,203,801</u>	<u>3,578,074</u>	<u>4,397,936</u>	<u>13,777,938</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (2,570,170)</u>	<u>\$ (1,074,145)</u>	<u>\$ (1,118,248)</u>	<u>\$ (3,509,822)</u>	<u>\$ 8,272,385</u>	<u>\$ -</u>
<b>Other Reporting Items:</b>						
Total athletics-related debt						\$ 1,239,562
Total institutional debt						\$ 43,448,719
Value of athletics-dedicated endowments						\$ 50,000
Value of institutional endowments						\$ 24,804,748
Total athletics-related capital expenditures						\$ 626,901

*The accompanying Notes to the 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, 2018**

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs have 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, 2018, 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 "Non-program specific."

**2. CONTRIBUTIONS**

The University received \$240,838 from the Athletics Foundation of Norfolk State University, which was used for academic enhancement. The amounts received are included in the accompanying Schedule as contribution revenue. The University Athletics Program received \$69,000 in in-kind contributions from the Middle Eastern Athletic Conference and \$128,492 in other in-kind contributions recorded as in-kind revenue, and \$328,017 from sponsorships and vehicle contracts recorded as royalties, licensing, advertisement and sponsorships revenue.

**3. DIRECT INSTITUTIONAL SUPPORT**

The University provided direct funds to support the operations of intercollegiate athletics totaling \$4,576,032 during the fiscal year ending June 30, 2018. This amount includes \$43,285 from Federal Work-Study and \$4,532,747 from auxiliary reserves to supplement the athletic program from excess revenues collected in prior years.

**4. 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 one year. Such assets are recorded at historical cost or

estimated historical cost and donated capital assets are recorded at the acquisition value at the acquisition date. 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	2-20 years

A summary of capital asset balances for the year ending June 30, 2018 not reflected on the Schedule are as follows:

	<u>Ending Balance</u>
Depreciable capital assets:	
Buildings	\$37,782,236
Equipment	<u>3,702,872</u>
Total depreciable capital assets	<u>41,485,108</u>
Less accumulated depreciation for:	
Buildings	25,961,378
Equipment	<u>1,623,335</u>
Total accumulation depreciation	<u>27,584,713</u>
Depreciable capital assets, Net	<u>13,900,395</u>
Total capital assets, Net	<u>\$13,900,395</u>

## 5. LONG-TERM DEBT

At June 30, 2018, the Intercollegiate Athletic Program has future obligations under an installment purchase consisting of the current and long-term portions of obligations resulting from a contract used to finance the acquisition of equipment. The length of the purchase agreement is for five years and the interest rate charged is 1.565 percent.

Description	Interest Rates (%)	Maturity Fiscal Year End	Balance at June 30, 2018
Installments payable:			
Master equipment lease program	1.565	2019-2023	<u>\$1,239,562</u>
Net installments payable			<u>1,239,562</u>
Total			<u><u>\$1,239,562</u></u>

Long-term debt matures as follows:

Year Ending	Principal	Interest
2019	\$ 267,992	\$18,356
2020	272,203	14,145
2021	276,480	9,868
2022	280,824	5,524
2023	<u>142,063</u>	<u>1,112</u>
Total	<u><u>\$1,239,562</u></u>	<u><u>\$49,005</u></u>

#### 6. 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, 2018, the University recovered \$1,015,488 of auxiliary support costs from the intercollegiate athletics department as reflected in the Schedule.

## **NORFOLK STATE UNIVERSITY**

As of June 30, 2018

Dr. Byron L. Cherry, Sr., Rector

Bryan D. Cuffee, Vice Rector

Elwood B. Boone, III, Secretary

Ann A. Adams  
Corynne S. Arnett  
Kenneth W. Crowder  
Deborah M. DiCroce  
James W. Dyke, Jr.

B. Keith Fulton  
Larry A. Griffith  
Michael J. Helpinstill  
Devon M. Henry  
Joan G. Wilmer

### **UNIVERSITY OFFICIALS**

Melvin T. Stith, Sr., Interim President

Gerald E. Hunter, Vice President for Finance and Administration

Marty L. Miller, Athletics Director