



NORFOLK STATE UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts
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Commonwealth of Virginia

Auditor of Public Accounts

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P.O. Box 1295
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February 24, 2022

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Javaune Adams-Gaston
President, Norfolk State University

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on the **Norfolk State University's** Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2021. University management is responsible for the Schedule and its compliance with National Collegiate Athletic Association (NCAA) requirements.

University management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the Schedule is in compliance with NCAA Constitution 3.2.4.17.1, for the year ended June 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

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 and associated 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 the Intercollegiate Athletics Department, 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 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 university's 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, 2021, 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:

Line Item	Explanation
Direct State or Other Government Support	Direct state or other government support revenue increased by \$1,443,514 due to COVID-19 relief funding provided by the federal government and allocated to the Intercollegiate Athletics Department by the university.
Student Fees	Student fee revenue declined by \$1,920,818 or 22 percent over the prior year. The decrease is mainly attributable to a fee reduction in fall 2020 for remote students.
Direct Institutional Support	Direct institutional support increased by \$1,513,601 or 106 percent since the prior year due to impacts from the COVID-19 pandemic including a decrease in student fee revenue.
Support Staff/Administrative Compensation, Benefits, and Bonuses paid by the University and related entities	Administrative and support staff expenses increased \$288,519 or 14 percent due to increases in compensation and a new position in fiscal year 2021.
Athletic Administration Revenue: Athletics Fee (Budget)	Athletics fee revenue was \$779,348 or 11 percent less than budgeted due to a reduction in student fees as a result of the COVID-19 pandemic.
Athletic Administration Revenue: NCAA Revenue Distribution (Budget)	NSU does not separately budget for NCAA revenue distributions but includes them as part of its other income budget. The other income budget item includes an estimate for direct institutional support. With this support included, the object code exceeded its budget by \$496,466, or 19 percent.

Revenues

8. We compared amounts reported in the Schedule for direct state or other governmental support to state appropriations, institutional authorizations and/or other corroborative supporting documentation, and noted them to be substantially in agreement.
9. We obtained documentation of the university'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 and noted them to be substantially in agreement.
11. 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.
12. We obtained the amount of guarantee revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
13. We obtained the amount of contribution revenue reported in the Schedule. The amount was deemed to be immaterial for detailed testing.
14. We obtained the amount of in-kind revenue reported in the Schedule. The amount was deemed to be immaterial for detailed testing.
15. Intercollegiate Athletics Department management provided us with copies of all agreements related to participation in revenues from 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 reported in the Schedule. The 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 royalties, licensing, advertisement, and sponsorships. We inspected 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 other operating revenue reported in the Schedule. The amount was deemed to be immaterial for detailed testing.

Expenses

19. Intercollegiate Athletics Department management provided us a listing of 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 university's student information system. We agreed each student's information to the information reported in the NCAA Membership Financial Reporting System. We also ensured that the total aid amount for each sport agreed to amounts reported as financial aid in the student accounting 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.
20. We obtained the amount of guarantee expense reported in 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. We found that recorded expenses equaled amounts paid as salary and bonuses and agreed 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 administrative expenses, 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. The 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 Intercollegiate Athletics 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 unaudited financial statements and general ledger, as the audited financial statements were not yet available.
28. We agreed the fair value of athletics-dedicated endowments to supporting documentation provided by the University and the Norfolk State University Athletic Foundation's unaudited financial statements.
29. We agreed the fair value of institutional endowments to supporting documentation and the audited financial statements of the University's Foundation, as applicable.

Additional Procedures

30. We compared the sports sponsored by the university, 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. We noted agreement of the sports reported.
31. We compared total current year grants-in-aid revenue distribution equivalencies to total prior year reported equivalencies per the NCAA Membership Financial Report submission and noted no variations exceeding four percent when compared to prior year.
32. We obtained the university'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 or qualified for the extraordinary blanket waiver per NCAA guidance due to the COVID-19 pandemic. 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 compared the current number of sports sponsored to the prior year total reported in the university's NCAA Membership Financial Report submission and noted no variations when compared to prior year.
34. 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.

35. We compared the total number of Pell grant awards in the current year to the number reported in the prior year NCAA Membership Financial Report submission. We noted no variations greater than 20 grants when compared with the prior year.

We were engaged by university management to perform this agreed-upon procedures engagement and conducted our engagement 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, examination, or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the university and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Norfolk State University and its President 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.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

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NORFOLK STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2021

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Direct state or other government support	\$ 1,151,404	\$ 207,666	\$ 66,892	\$ 17,552	\$ -	\$ 1,443,514
Student fees	-	-	-	-	6,691,302	6,691,302
Direct institutional support	2,000	800	-	-	2,932,386	2,935,186
Indirect institutional support	194,614	131,253	93,917	194,326	333,744	947,854
Guarantees	-	30,000	-	-	-	30,000
Contributions	4,491	17,603	1,746	27,183	19,472	70,495
In-Kind	58,000	48,599	39,225	39,125	16,997	201,946
NCAA distributions	-	-	-	-	900,183	900,183
Program, novelty, parking, and concession sales	-	1,004	-	-	550	1,554
Royalties, licensing, advertisement and sponsorships	161,667	82,583	72,083	105,333	153,343	575,009
Other operating revenue	-	-	-	-	16,163	16,163
Total operating revenues	<u>1,572,176</u>	<u>519,508</u>	<u>273,863</u>	<u>383,519</u>	<u>11,064,140</u>	<u>13,813,206</u>
Operating expenses:						
Athletic student aid	1,495,012	324,418	383,722	1,707,487	-	3,910,639
Guarantees	-	6,000	-	-	-	6,000
Coaching salaries, benefits, and bonuses paid by the university and related entities	842,231	530,640	351,886	642,849	-	2,367,606
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	2,000	800	-	-	2,275,714	2,278,514
Recruiting	-	543	-	-	-	543
Team travel	106,786	110,599	68,540	278,423	-	564,348
Sports equipment, uniforms, and supplies	133,865	57,095	34,828	97,385	449,906	773,079
Game expenses	15,290	69,620	63,245	54,285	640	203,080
Fundraising, marketing and promotion	166,377	72,713	62,213	105,333	81,109	487,745
Athletic facility debt service	-	-	-	-	542,676	542,676
Direct overhead and administrative expenses	1,555	4,176	493	6,197	576,363	588,784
Indirect cost paid to the institution by athletics	194,614	131,253	93,917	194,326	333,744	947,854
Medical expenses and insurance	-	-	-	-	239,335	239,335
Memberships and dues	-	-	-	1,953	44,394	46,347
Student-Athlete Meals (non-travel)	-	-	-	-	11,500	11,500
Other operating expenses	<u>2,170</u>	<u>24,397</u>	<u>13,691</u>	<u>20,645</u>	<u>784,253</u>	<u>845,156</u>
Total operating expenses	<u>2,959,900</u>	<u>1,332,254</u>	<u>1,072,535</u>	<u>3,108,883</u>	<u>5,339,634</u>	<u>13,813,206</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (1,387,724)</u>	<u>\$ (812,746)</u>	<u>\$ (798,672)</u>	<u>\$ (2,725,364)</u>	<u>\$ 5,724,506</u>	<u>\$ -</u>
Other Reporting Items:						
Total athletics-related debt					\$	1,278,349
Total institutional debt					\$	89,173,987
Value of athletics-dedicated endowments					\$	50,000
Value of institutional endowments					\$	34,000,715

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, 2021

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, 2021, 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 \$70,495 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's athletics program received \$58,625 in in-kind contributions from the Mid-Eastern Athletic Conference and \$143,321 in other in-kind contributions recorded as in-kind revenue, and \$575,009 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 \$2,935,186 during the fiscal year ending June 30, 2021. This amount includes \$89,470 from Federal Work-Study and \$2,845,716 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, 2021 not reflected on the Schedule are as follows:

	Ending Balance June 30, 2021
Depreciable Capital Assets:	
Buildings	\$37,782,236
Equipment	<u>5,477,551</u>
Total depreciable capital assets	<u>43,259,787</u>
Less accumulated depreciation for:	
Buildings	29,326,381
Equipment	<u>3,025,605</u>
Total accumulation depreciation	<u>32,351,986</u>
Depreciable capital assets, Net	<u>10,907,801</u>
Total capital assets, Net	<u>\$10,907,801</u>

5. LONG-TERM DEBT

At June 30, 2021, the intercollegiate athletics 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 four years and the interest rates charged are 1.57 and 2.14 percent.

	<u>Interest Rates</u> <u>(%)</u>	<u>Maturity</u> <u>Fiscal Year End</u>	<u>Balance at</u> <u>June 30, 2021</u>
Installments payable:			
Master equipment lease program	1.57-2.14	2022-2025	<u>1,278,349</u>
Net installments payable			<u>1,278,349</u>

Long-term debt matures as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 518,771	\$22,573
2023	385,131	13,039
2024	248,300	6,695
2025	<u>126,147</u>	<u>\$ 1,350</u>
Total	\$1,278,349	\$43,657

6. INDIRECT COST PAID TO THE INSTITUTION BY ATHLETICS

The university recovers from each auxiliary enterprise an amount to reimburse for the cost of administrative support. Pursuant to Section 3-4.01.3 of the Appropriations Act, the University did not recover auxiliary support costs from the intercollegiate athletics department due to significant financial impact on auxiliary enterprises caused by the COVID-19 pandemic. The value of these indirect costs of \$947,854 is reported on the Schedule of Revenues and Expenses in the line titled Indirect institutional Support in operating revenues and the line titled Indirect Cost Paid to the Institution by Athletics in operating expenses.

NORFOLK STATE UNIVERSITY

As of June 30, 2021

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