



VIRGINIA STATE UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2019

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

July 15, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

Makola M. Abdullah
President, Virginia 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 **Virginia 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) Bylaw 6.2.3.1, for the year ended June 30, 2019. 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, 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 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 University's 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, 2019, 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. We noted no differences between the amounts in the Intercollegiate Athletics department's accounting records and the amounts on the trial balance. We

discussed the nature of adjusting journal entries with management and are satisfied that the adjustments are appropriate. While the agreed upon procedures specify a deadline of January 15th for the completion of our work, delays in receiving the Schedule and associated supporting documentation, as well as subsequent questions regarding specific items presented in the Schedule, prevented the completion of these procedures by the required deadline.

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>
Direct Institutional Support	The 66 percent increase in direct institutional support is primarily the result of the use of auxiliary cash reserves to cover expenses not otherwise covered by athletic revenue sources.
Direct Expenditures (Budget)	Increases in necessary expenses (uniforms, travel, rentals, etc.) caused direct expenditures to exceed the budgeted amount by approximately ten percent.

Revenues

9. We obtained the amount of ticket sales revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
10. 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.
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 obtained the amount reported in the Schedule for transfers to the institution. The amount was deemed to be immaterial for detailed testing.

13. 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.
14. 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.
15. We obtained the amount of game guarantee revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
16. 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 Virginia State University 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 Virginia State University Foundation, which exceeded ten percent of all contributions and agreed them to supporting documentation.
17. We obtained the amount of NCAA distributions revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
18. We obtained the amount of conference distributions revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
19. We obtained the amount of program, novelty, parking, and concession sales revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
20. We obtained the amount of royalties, licensing, advertisement, and sponsorships revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
21. We obtained the amount of sport camps revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
22. We obtained the amount of endowment agreements revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
23. We obtained the amount of other revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

Expenses

24. 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 at least 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 via Compliance Assistant. We also ensured that the total aid amount for each sport agreed to amounts reported as Financial Aid in the student accounting system.
25. 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 were in agreement with approved contracts or other documentation.
26. 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.
27. We selected a sample of disbursements for team travel, 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.
28. We obtained a listing of debt service payments and rental fees for athletics facilities for the reporting year. We selected a sample of facility payments included in the Schedule, including the two highest facility payments, and agreed them to supporting documentation.
29. 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

- 30. 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.
- 31. 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.
- 32. We agreed the fair value of athletics dedicated endowments to supporting documentation provided by the University, general ledger, and audited financial statements, as applicable.
- 33. 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.

Additional Procedures

- 34. 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.
- 35. We compared total current year Grants-in-Aid revenue distribution equivalencies to total prior year reported equivalencies per the Membership Financial Report submission and noted no variations exceeding four percent when compared to prior year.
- 36. 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 20.10.3.3. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.
- 37. We compared the current number of sports sponsored to the prior year total reported in the University's Membership Financial Report submission and noted no variations when compared to prior year.
- 38. 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.

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

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 Virginia 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 Virginia 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.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

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VIRGINIA STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2019

	Football	Men's Basketball	Women's Basketball	Men's Baseball	Men's Track	Women's Track	Other Sports	Non-Program Specific	Total
Operating revenues:									
Ticket sales	\$ 80,262	\$ 18,188	\$ 15,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,500
Student fees	-	-	-	-	-	-	-	4,447,461	4,447,461
Direct institutional support	-	-	-	-	-	-	-	1,355,382	1,355,382
Less: Transfers to institution	-	-	-	-	-	-	-	(733)	(733)
Indirect institutional support	-	-	-	-	-	-	-	155,759	155,759
Indirect institutional support - athletic facilities debt service, lease and rental fees	-	-	-	-	-	-	-	647,483	647,483
Guarantees	100,000	20,000	-	-	-	-	-	-	120,000
Contributions	20,132	9,516	2,265	19,167	28,945	2,719	68,402	233,709	384,855
NCAA distributions	2,610	7,350	-	-	-	2,776	-	9,628	22,364
Conference distributions (non-media or bowl)	2,500	2,000	-	-	-	10,000	9,000	5,000	28,500
Program, novelty, parking, and concession sales	1,625	-	-	-	-	-	-	-	1,625
Royalties, licensing, advertisement and sponsorships	-	-	-	-	-	-	-	23,000	23,000
Sports camp revenues	-	1,790	3,190	525	-	-	425	-	5,930
Athletics restricted endowment and investments income	-	-	-	-	-	-	-	749	749
Other operating revenue	-	8,667	-	-	1,000	1,100	750	12,350	23,867
Total operating revenues	207,129	67,511	20,505	19,692	29,945	16,595	78,577	6,889,788	7,329,742
Operating expenses:									
Athletic student aid	492,101	184,500	147,733	50,700	88,900	119,306	400,546	41,728	1,525,514
Coaching salaries, benefits, and bonuses paid by the University and related entities	567,316	280,001	253,829	21,701	84,330	84,330	131,118	-	1,422,625
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	-	-	-	-	-	-	-	883,443	883,443
Recruiting	2,364	915	616	-	-	-	1,284	-	5,179
Team travel	75,673	88,146	59,889	24,738	26,633	30,103	82,919	-	388,101
Sports equipment, uniforms, and supplies	133,598	19,721	18,740	13,115	11,237	5,801	41,306	-	243,518
Sports camp expenses	2,431	1,508	888	-	-	-	452	-	5,279
Spirit groups	-	-	-	-	-	-	-	69,137	69,137
Athletic facility leases and rental fees	-	36,919	36,852	-	-	-	31,558	-	105,329
Athletic facility debt service	-	-	-	-	-	-	-	647,483	647,483
Direct overhead and administrative expenses	3,047	2,190	8,460	-	643	572	6,897	404,157	425,966
Indirect cost paid to the institution by athletics	164,723	88,116	76,474	10,261	25,747	24,811	60,648	337,627	788,407
Indirect institutional support	-	-	-	-	-	-	-	155,759	155,759
Medical expenses and insurance	-	-	-	-	-	-	-	149,137	149,137
Memberships and dues	-	390	350	-	500	-	524	45,638	47,402
Other operating expenses	37,540	3,372	2,299	6,293	6,722	6,426	48,053	356,758	467,463
Total operating expenses	1,478,793	705,778	606,130	126,808	244,712	271,349	805,305	3,090,867	7,329,742
Excess (deficiency) of revenues over (under) expenses	\$ (1,271,664)	\$ (638,267)	\$ (585,625)	\$ (107,116)	\$ (214,767)	\$ (254,754)	\$ (726,728)	\$ 3,798,921	\$ -
Other Reporting Items:									
Total athletics-related debt									\$ 3,056,147
Total institutional debt									\$ 81,053,419
Value of athletics-dedicated endowments									\$ 281,791
Value of institutional endowments									\$ 40,543,077

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

VIRGINIA STATE UNIVERSITY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2019

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses for the University's Athletic Department has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of receipts and disbursements of the Intercollegiate Athletic Programs of the University for the year ended June 30, 2019. The Schedule includes both those receipts and disbursements for Athletic programs 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 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 the financial position, changes in financial position or cash flows for the year then ended. Receipts and disbursements directly identifiable with each category of sport presented are reported accordingly. Receipts and disbursements not directly identifiable to a specific sport are reported under the category "non-program specific".

2. CONTRIBUTIONS

The Schedule includes contributions of the Virginia State University Foundation (The Foundation) made on behalf of the athletics programs. This foundation was organized for fund-raising activities that support the welfare, efficiency and general objectives of the University. The Foundation's support of Virginia State University athletics totaled \$384,856.

3. ENDOWMENT FUNDS

A. Quasi- Endowment

During fiscal year 1998, the University established a quasi-endowment fund for athletic scholarships and certain other expenditures to support the athletic program. The University has made deposits into the quasi-endowment fund using a portion of guarantees received for participation in specific sporting events. As of June 30, 2019, earnings on the \$109,000 corpus since its inception total of \$130,656.

B. True-Endowment

As of June 30, 2019, earnings on the \$24,775 corpus since its inception total \$5,614.

4. CAPITAL ASSETS

Capital assets consisting of land, buildings, equipment, infrastructure assets, improvements other than buildings, inexhaustible works of art, intangible assets, and construction-in-progress are stated at appraised historical cost or actual cost, where determinable. Purchased or constructed capital assets are reported at actual cost or estimated historical cost. Donated capital assets are reported at fair value on the date of acquisition. Library materials are valued using purchase price for library acquisitions and are capitalized if the annual composite amount is \$5,000 or greater. Buildings and infrastructure are capitalized when the cost is \$100,000 or greater. Building renovations are capitalized when cost is \$100,000 or greater, and the asset value significantly increases or the useful life is significantly extended. Equipment is capitalized when the acquisition cost is \$5,000 or greater and the estimated useful life is greater than one year. Expenses for construction-in-progress are capitalized as they are incurred. Intangible assets are capitalized when the acquisition cost is \$100,000 or greater. Interest expenses relating to construction are capitalized, net of interest income earned on resources set aside for this purpose. For the year ended June 30, 2019, no interest associated with construction was capitalized.

Depreciation is calculated using the straight-line method over the estimated useful life as follows:

Buildings	30-60 years
Infrastructure assets	15-20 years
Equipment	2-10 years
Intangible assets – computer software	5-10 years
Library books	5 years
Other improvements	20 years

A summary of athletic related capital assets for the year ending June 30, 2019 is presented as follows:

Depreciable capital assets:

Building and building improvements	\$ 43,221,995
Infrastructure	3,681,030
Equipment	<u>346,018</u>
Total depreciable capital assets	47,249,043

Less Accumulated depreciation:

Building and building improvements	9,050,664
Infrastructure	3,078,702
Equipment	<u>346,018</u>
Total accumulated depreciation	12,388,410

Total capital assets, net	<u><u>\$ 34,860,633</u></u>
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5. LONG-TERM DEBT

For debt related to the Intercollegiate Athletic Department, the University has issued Section 9(d) bonds pursuant to Article X of the Constitution of Virginia. These bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia, legally, morally, or otherwise. Pledged General Fund revenues include General Fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. The outstanding balance for the notes payable as of June 30, 2019 directly related to Roger Stadium is \$3,056,147.

Description	Maturity	Balance at June 30, 2019
VSU Pooled Bonds - 2002A Rogers Stadium Ref Portio, Series 2007B	2019	\$ 395,000
VSU 2002A Rogers Stadium Ref Portion, Series 2010B	2022	1,320,000
VSU Roger's Stadium Proj. - 2005 A Ref Portion, Series 2012A	2024	955,000
VSU Pooled Bonds-Roger's Stadium-2005A, Ref Portion, Series 2014B	2025	190,000
Add unamortized premium (net of discount)		<u>196,147</u>
Total notes payable		<u>\$ 3,056,147</u>

Long term debt matures as follows:

Maturity	Principal	Interest	Total
2020	\$ 535,000	\$ 122,150	\$ 657,150
2021	565,000	96,625	661,625
2022	600,000	67,500	667,500
2023	620,000	37,000	657,000
2024	170,000	17,250	187,250
2025-2026	370,000	14,100	384,100
Add unamortized premium	<u>196,147</u>	<u>-</u>	<u>196,147</u>
	<u>\$ 3,056,147</u>	<u>\$ 354,625</u>	<u>\$ 3,410,772</u>

6. INDIRECT INSTITUTIONAL SUPPORT

The University provides certain facilities and services to Auxiliary Enterprises (AE). The athletics program benefits from this indirect support but the university does not charge the athletics program for its share of these costs. In accordance with the NCAA's 2019 Agreed-Upon Procedures manual, the value of this support should be reported on the Schedule of Revenue and Expenses on both the operating revenue and operating expense lines 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 2019 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.

7. INDIRECT COSTS PAID TO THE INSTITUTION BY ATHLETICS

The Commonwealth's Appropriation Act requires that educational and general programs in institutions of higher education recover the full indirect cost of auxiliary enterprise programs. Therefore, the University assesses each auxiliary unit an "agency service charge" to recover institutional educational and general administrative costs. In fiscal year 2019, this charge to the Athletics Department amounted to \$788,407. Plant fund expenditures are not reflected in the accompanying schedules.

VIRGINIA STATE UNIVERSITY

As of June 30, 2019

BOARD OF VISITORS

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Charlie W. Hill, Vice Rector

Thursa Crittenden, Secretary

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UNIVERSITY OFFICIALS

Dr. Makola M. Abdullah, President

Mr. Kevin Davenport, Vice President for Finance/Chief Financial Officer

Peggy Davis, Associate Vice President for Intercollegiate Athletics