



RADFORD UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS

FOR THE YEAR ENDED

JUNE 30, 2017

Auditor of Public Accounts
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Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 10, 2018

The Honorable Ralph S. Northam
Governor of Virginia

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

Brian O. Hemphill
President, Radford 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 **Radford 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. 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.

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. No variances exceeded ten percent of prior period amounts or budget estimates.

Revenues

9. We obtained the amount of ticket sales revenue recorded in the Schedule. Revenue related to ticket sales 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. 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 for away games was deemed immaterial for detailed testing.
12. 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 Radford University Foundation, Inc., 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 Radford University Foundation, Inc., which exceeded ten percent of all contributions and agreed them to supporting documentation.
13. Intercollegiate Athletics Department management provided a list of in-kind contributions during the reporting period. This amount was deemed to be immaterial for detailed testing.
14. We obtained the amount of revenue from tournaments, conference distributions, and NCAA distributions recorded in the Schedule. This amount was deemed to be immaterial for detailed testing.
15. We obtained the amount of revenue related to royalties, licensing, advertisements, and sponsorships recorded in the Schedule. This amount was deemed to be immaterial for detailed testing.

16. We obtained the amount of revenue related to other revenue recorded in the Schedule. This amount was deemed to be immaterial for detailed testing.

Expenses

17. 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 10 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 also ensured that the total aid amount for each sport agreed to amounts reported as Financial Aid in the student accounting system.
18. 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 for home games was deemed to be immaterial for detailed testing.
19. 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.
20. We obtained the amount of disbursements related to severance payments recorded in the Schedule. This amount was deemed to be immaterial for detailed testing.
21. 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.
22. We selected a sample of disbursements for team travel; sports equipment, uniforms and supplies; direct overhead and administrative expenses; and indirect cost paid to the institution by athletics. As exceptions were noted in the prior year, an additional sample of disbursements for sports equipment, uniforms and supplies was selected. 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.

23. We obtained the amount of disbursements related to debt service payments, lease payments, and rental fees for athletics facilities for the reporting year recorded in the Schedule. This amount was deemed immaterial for detailed testing.
24. 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

25. We obtained the amount for all outstanding intercollegiate athletics debt during the reporting period. This amount was deemed immaterial for detailed testwork.
26. 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.
27. We agreed the fair value of athletics dedicated endowments to supporting documentation provided by the University's Foundation.
28. We agreed the fair value of institutional endowments to supporting documentation, including the audited financial statements of the University's Foundation.
29. We obtained a schedule of athletics related capital expenditures made during the period. We determined that the amount of capital expenditures was immaterial for detailed testing.

Additional Procedures

30. 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.
31. 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.
32. 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 Radford 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 Radford 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

JRQ/alh

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

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
<u>Operating revenues:</u>					
Ticket sales	\$ 42,645	\$ 12,212	\$ 892	\$ -	\$ 55,749
Student fees	-	-	-	10,863,276	10,863,276
Guarantees	385,000	55,000	10,000	-	450,000
Contributions	22,427	8,108	374,799	164,828	570,162
In-Kind	5,000	-	50,508	18,857	74,365
NCAA distributions	-	-	26,475	339,398	365,873
Conference distributions (non-media or bowl)	-	-	1,750	63,953	65,703
Royalties, licensing, advertisement and sponsorships	10,000	1,365	29,454	438,849	479,668
Other operating revenue	-	500	1,064	28,407	29,971
Total operating revenues	465,072	77,185	494,942	11,917,568	12,954,767
<u>Operating expenses:</u>					
Athletic student aid	497,871	459,594	2,272,061	-	3,229,526
Guarantees	6,000	2,500	-	-	8,500
Coaching salaries, benefits, and bonuses paid by the University and related entities	572,971	331,137	1,637,363	-	2,541,471
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	56,862	44,381	-	2,379,866	2,481,109
Severance payments	9,828	-	-	1,744	11,572
Recruiting	46,687	37,612	80,818	-	165,117
Team travel	130,828	111,316	484,552	-	726,696
Sports equipment, uniforms, and supplies	52,162	35,973	355,214	92,555	535,904
Game expenses	46,410	24,800	81,793	27,819	180,822
Fundraising, marketing and promotion	5,660	500	13,114	103,342	122,616
Spirit groups	45,356	45,356	-	-	90,712
Athletic facility debt service	-	-	58,846	14,891	73,737
Direct overhead and administrative expenses	1,950	1,168	105,253	839,368	947,739
Indirect cost paid to the institution by athletics	-	-	-	1,042,033	1,042,033
Medical expenses and insurance	-	-	734	388,371	389,105
Memberships and dues	105	800	5,855	41,398	48,158
Student-Athlete Meals (non-travel)	14,412	13,099	43,393	-	70,904
Other operating expenses	55,029	22,413	83,899	83,324	244,665
Total operating expenses	1,542,131	1,130,649	5,222,895	5,014,711	12,910,386
Excess (deficiency) of revenues over (under) expenses	<u>\$(1,077,059)</u>	<u>\$(1,053,464)</u>	<u>\$(4,727,953)</u>	<u>\$ 6,902,857</u>	<u>\$ 44,381</u>

Other Reporting Items:

Total athletics-related debt

\$ 25,527

Total institutional debt

\$ 54,812,137

Value of athletics-dedicated endowments

\$ 3,131,675

Value of institutional endowments

\$ 50,346,509

Total athletics-related capital expenditures

\$ 195,489

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

RADFORD UNIVERSITY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2017

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of current revenues and expenses related to the University's Intercollegiate Athletic Programs for the year ended June 30, 2017. The Schedule includes those intercollegiate athletics revenues and expenses made on behalf of the University's athletic programs by outside organizations not under the accounting control of the University. 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 flow 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. AFFILIATED ORGANIZATIONS

The schedule includes transactions of the Radford University Foundation, Inc. made on behalf of the athletics program. The Intercollegiate Athletic Program received \$570,162 from the Radford University Foundation, Inc., which are included in revenue as "contributions" in the accompanying schedule.

3. LONG-TERM DEBT

Installment Purchase Obligations

The Intercollegiate Athletic Program has future obligations under installment purchase agreement initiated in January 2009. The book value of the asset purchased under the installment purchase agreement is \$114,460 and the repayment term is ten years at an interest rate of 2.087 percent. A summary of the future obligations under these agreements as of June 30, 2017, is as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2018	\$12,308	\$ 455
June 30, 2019	<u>12,567</u>	<u>197</u>
Total	<u>\$24,875</u>	<u>\$ 652</u>

4. UNIVERSITY ADMINISTRATIVE FEE

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 "administrative fee" to recover institutional educational and general administrative costs. In fiscal year 2017, this charge to the athletics' departments amounted to \$1,042,033 and is included in the "Indirect cost paid to institution by athletics" expense line as Non-Program Specific.

5. CAPITAL ASSETS

Capital assets consisting of buildings and equipment are stated at the estimated historical cost or actual cost where determinable. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or greater and an estimated useful life of greater than one year. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction in progress expenses are capitalized at actual cost as the major capital assets and improvements are constructed. 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 with no residual value. The useful life is 40 years for buildings, 20 years for site improvements, and two to 25 years for equipment.

A summary of capital asset balances for the year ending June 30, 2017, follows:

Depreciable capital assets:	
Buildings	\$31,595,010
Equipment	1,370,275
Site Improvements	<u>5,661,405</u>
Total depreciable capital assets	<u>38,626,690</u>
Less accumulated depreciation for:	
Buildings	(14,378,456)
Equipment	(747,031)
Site Improvements	<u>(3,174,078)</u>
Total accumulated depreciation	<u>(18,299,565)</u>
Total capital assets for intercollegiate athletics, net of accumulated depreciation	<u>\$20,327,125</u>

RADFORD UNIVERSITY

As of June 30, 2017

BOARD OF VISITORS

Christopher Wade, Rector

Javaid Siddiqi, Vice Rector

Mary Weeks, Secretary

Robert A. Archer	Susan Whealler Johnston
Jay A. Brown	Mark S. Lawrence
Krishna Chachra	Randolph J. Marcus
Callie M. Dalton	Debra K. McMahon
Rachel D. Fowlkes	Alethea Robinson
Mary Ann Hovis	Steve A. Robinson
Georgia Anne Snyder-Falkinham	

UNIVERSITY OFFICIALS

As of January 10, 2018

Brian O. Hemphill, President

Richard S. Alvarez, Vice President for Finance and Administration

Robert G. Lineburg, Director of Intercollegiate Athletics Programs