



# LONGWOOD UNIVERSITY

## INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2015

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 15, 2016

The Honorable Terence R. McAuliffe  
Governor of Virginia

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

W. Taylor Reveley, IV  
President, Longwood 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 **Longwood 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, for the year ended June 30, 2015. University management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) and the Schedule's compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with generally accepted government auditing standards. 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 one-half of one 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 procedures 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, 2015, 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 worksheets, and agreed the amounts in management's 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 worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate. Certain amounts in the Schedule were reclassified to conform with reporting guidance issued by the NCAA.

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. Variations exceeding one million dollars or ten percent are explained below:

<b>Line Item</b>	<b>Explanation</b>
Athletic Student Aid	The University properly included tuition waivers as Direct Institutional Support in the current year, correspondingly resulting in increased athletic student aid.
Coaching Salaries, Benefits, and Bonuses	The University included a portion of administrative indirect cost recoveries for Intercollegiate Athletics Programs within the coaching salaries, benefits, and bonuses line item in the prior fiscal year. In the current year, this activity is reasonably reflected in direct overhead and administrative expenses, contributing to a decrease in this line item in comparison to the prior year.
Support Staff/Administrative Salaries, Benefits, Bonuses Paid by Longwood and Related Parties	The University included a portion of administrative indirect cost recoveries for Intercollegiate Athletics Programs within the support staff/administrative salaries line item in the prior fiscal year. In the current year, this activity is reasonably reflected in direct overhead and administrative expenses, contributing to a decrease in this line item in comparison to the prior year.

## **Revenues**

9. Intercollegiate Athletics Department management provided us with tickets sold during the reporting period along with a list of complimentary tickets and unsold tickets. This amount was deemed to be immaterial for detailed testing.
10. We obtained an understanding of the institution's methodology for allocating student fees to intercollegiate athletics programs. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be substantially in agreement.

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. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for away games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and agreed selected amounts to proper posting in the accounting records and supporting documentation.
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 Longwood 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 Foundation and agreed them to supporting documentation.
14. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, licensing, advertisements, and sponsorships. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
16. We obtained an understanding of the University's methodology for recording revenues from sport camps. We agreed selected amounts to proper posting in the accounting records and supporting documentation, and found two exceptions out of thirty-two sport camps' participants selected, in which supporting documentation was not available.
17. We compared the amount of revenue related to other revenue to the amount reported in the Schedule. We reviewed classification of a sample of transactions and agreed those transactions to supporting documentation.

## **Expenses**

18. 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 agreed amounts from the listing to their award letter. We agreed each student's information to ensure accurate reporting in the NCAA Membership Financial Reporting System. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.
19. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing.
20. 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.
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 identified areas where policy updates are needed to incorporate NCAA guidance.
22. We selected a sample of disbursements for equipment, uniforms, and supplies, game expenses, fundraising, marketing, and promotion, sports camps, spirit groups, direct overhead and administration, medical expenses and medical insurance, memberships and dues, 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.
23. We obtained a listing of debt service payments for athletics facilities for the reporting year. We selected a sample of facility payments, including the two highest facility payments, and agreed them to supporting documentation.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression on 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 Longwood 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 Longwood 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

LDJ/clj



**LONGWOOD UNIVERSITY**  
**SCHEDULE OF REVENUES AND EXPENSES OF**  
**INTERCOLLEGIATE ATHLETICS PROGRAMS**  
For the year ended June 30, 2015

	Men's Basketball	Women's Basketball	Men's Soccer	Women's Soccer	Men's Track	Women's Track	Other Sports	Non-Program Specific	Total
<b>Operating revenues:</b>									
Ticket sales	\$ 16,589	\$ 7,681	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,270
Student fees	1,305,433	948,144	344,585	372,413	69,453	67,560	2,280,554	2,791,804	\$ 8,179,946
Direct institutional support	1,461	37,535	39,500	91,867	14,250	9,000	280,040	-	\$ 473,653
Guarantees	374,000	75,000	5,500	-	-	-	18,500	-	\$ 473,000
Contributions	41,024	4,105	-	-	-	-	113,191	26,976	\$ 185,296
NCAA distributions	-	-	-	-	-	-	-	199,261	\$ 199,261
Conference distributions (Non Media or Bowl)	-	-	-	-	-	-	-	41,667	\$ 41,667
Royalties, licensing, advertisement and sponsorships	-	-	-	-	-	-	-	176,771	\$ 176,771
Sports camp revenues	29,733	-	-	-	-	-	111,253	-	\$ 140,986
Other operating revenue	16,380	-	-	-	-	-	22,226	89,630	\$ 128,236
Total operating revenues	<u>\$ 1,784,620</u>	<u>\$ 1,072,465</u>	<u>\$ 389,585</u>	<u>\$ 464,280</u>	<u>\$ 83,703</u>	<u>\$ 76,560</u>	<u>\$ 2,825,764</u>	<u>\$ 3,326,109</u>	<u>\$ 10,023,086</u>
<b>Operating expenses:</b>									
Athletic student aid	\$ 592,636	\$ 531,909	\$ 201,080	\$ 272,455	\$ 18,250	\$ 14,692	\$ 1,246,952	\$ 19,411	\$ 2,897,385
Guarantees	4,500	-	-	-	-	-	-	-	\$ 4,500
Coaching salaries, benefits, and bonuses paid by the University and related entities	427,183	307,768	112,522	122,652	39,576	40,051	802,543	-	\$ 1,852,295
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	-	-	-	-	-	-	-	1,473,024	\$ 1,473,024
Recruiting	24,612	40,358	1,278	3,860	-	194	27,921	-	\$ 98,223
Team travel	211,173	103,716	42,303	35,298	11,072	11,733	350,144	30,272	\$ 795,711
Sports equipment, uniforms, and supplies	41,691	25,328	5,758	18,228	1,511	2,066	119,148	11,091	\$ 224,821
Game expenses	48,342	27,988	7,936	12,120	1,795	1,785	62,162	274	\$ 162,402
Fundraising, marketing and promotion	1,068	1,543	377	2,000	-	-	87	21,729	\$ 26,804
Sports camp expenses	17,646	-	21,851	25,198	-	-	60,100	-	\$ 124,795
Athletic facility debt service	-	-	-	-	-	-	-	858,740	\$ 858,740
Direct overhead and administrative expenses	77,141	49,074	15,560	14,711	5,166	5,266	124,642	436,955	\$ 728,515
Medical expenses and insurance	1,229	82	-	-	-	-	52	111,444	\$ 112,807
Memberships and dues	2,695	480	570	475	-	-	3,885	18,492	\$ 26,597
Other operating expenses	61,105	29,865	12,167	7,160	1,498	1,592	98,020	423,319	\$ 634,726
Total operating expenses	<u>\$ 1,511,021</u>	<u>\$ 1,118,111</u>	<u>\$ 421,402</u>	<u>\$ 514,157</u>	<u>\$ 78,868</u>	<u>\$ 77,379</u>	<u>\$ 2,895,656</u>	<u>\$ 3,404,751</u>	<u>\$ 10,021,345</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ 273,599</u>	<u>\$ (45,646)</u>	<u>\$ (31,817)</u>	<u>\$ (49,877)</u>	<u>\$ 4,835</u>	<u>\$ (819)</u>	<u>\$ (69,892)</u>	<u>\$ (78,642)</u>	<u>\$ 1,741</u>
<b>Other Reporting Items:</b>									
Transfers to institution									\$ -
Conference realignment expenses									\$ -
Total athletics-related debt									\$ 7,620,000
Total institutional debt									\$ 50,907,730
Value of athletics-dedicated endowments									\$ -
Value of institutional endowments									\$ -

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

**LONGWOOD UNIVERSITY**  
**NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF**  
**INTERCOLLEGIATE ATHLETICS PROGRAMS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 revenues and expenses of the Intercollegiate Athletics Programs of the University for the year ended June 30, 2015, and includes both those intercollegiate athletics revenues and expense under the direct accounting control of the University and those on behalf of the University's Intercollegiate Athletics Programs by outside organizations not under the University's control. Because the Schedule presents only a selected portion of the University's activities, it is not intended to, and does not present the financial position, changes in financial position, or cash flows for the year ended June 30, 2015. 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."

B. Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure, and intangible assets are stated at cost or fair market value at date of donation. Construction in progress, equipment and intangibles in process are capitalized at actual cost as expenses are incurred. Equipment costing \$5,000 or more with a useful life greater than one year is capitalized. Software related intangibles costing \$25,000 or more and other intangibles costing \$100,000 or more are capitalized. Renovation costs are capitalized when expenses total greater than \$100,000. Normal repairs and maintenance are expensed in the year in which the expense was incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The general range of estimated useful lives is five to 50 years for buildings and fixtures and three to 20 years for equipment. The general range of estimated useful lives for infrastructure is five to 30 years. The estimated useful life of software is five years, all other intangibles vary based on type and expected useful life.

The net book values for fixed assets in the Athletic department at June 30, 2015, are as follows:

Buildings	\$ 3,290,824
Equipment	461,970
Infrastructure	5,936,979
Land	1,042,794
CIP	<u>1,007,849</u>
Total	<u>\$11,740,416</u>

## 2. AFFILIATED ORGANIZATION

The University received \$185,296 from the Longwood University Foundation, Inc. to be used for the Athletic program. These contributions are included in the accompanying schedule.

## 3. LONG-TERM INDEBTEDNESS

The Intercollegiate Athletics Program transferred funds to the general University accounts to pay principal and interest payments on the long-term debt for the year ended June 30, 2015, as follows:

Lacrosse/Field Hockey Complex	\$ 325,948
Soccer Fields	125,624
Baseball/Softball Field	174,485
Willet Hall Renovation	117,980
Athletic Offices	<u>293,844</u>
Total	<u>\$ 1,037,881</u>

## 4. LONG-TERM DEBT

Long-term debt relating to intercollegiate athletics is shown below.

	<b>Interest Rates</b>	<b>Maturity</b>	<b>Amount</b>
Lacrosse / Field Hockey, Series 2004A	3.00-5.00%	2024	\$1,850,000
Soccer Fields, Series 2005A	3.75-5.00%	2025	1,070,000
Lancer Gym - Willet Hall, Series 2005A	3.50-5.00%	2025	1,015,000
Baseball / Softball 2006A	3.00-5.00%	2027	815,000
Lacrosse / Field Hockey, Series 2007A	3.00-5.00%	2028	880,000
Baseball / Softball 2007A	3.00-5.00%	2028	905,000
Athletic Offices	3.00-5.00%	2018	1,085,000
Total			<u><u>\$7,620,000</u></u>

Long-term debt matures as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2016	\$710,000	\$335,663
2017	730,000	302,325
2018	775,000	267,625
2019	800,000	230,375
2020	540,000	197,600
2021 - 2025	3,125,000	549,013
2026 - 2030	940,000	46,963
	<u><u>\$7,620,000</u></u>	<u><u>\$1,929,564</u></u>

## 5. ADMINISTRATIVE COST RECOVERY

In fiscal year 2015 the amount of administrative cost recovery for Intercollegiate Athletics Programs, based on the State Council of Higher Education for Virginia approved recovery rate of 14.35 percent, was \$569,298. This total is included in the Direct Overhead and Administrative Expenses line on the accompanying schedule.

## LONGWOOD UNIVERSITY

Farmville, Virginia

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