



LONGWOOD UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2017

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

January 11, 2018

The Honorable Ralph S. Northam
Governor of Virginia

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

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 3.2.4.15.1, 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. The audit of the financial statements of the Longwood University Foundation was not complete at the time of we performed this engagement and as such we were unable to review the results of the audit.
5. Intercollegiate Athletics Department management prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations included in the Schedule. We confirmed amounts reported by University management with management of the Longwood University Foundation.

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, 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. Management made several adjustments to the Schedule during the engagement to conform to NCAA reporting guidance. We discussed the nature of adjusting journal entries with management and are satisfied that the adjustments are appropriate.

7. We compared each major revenue and expense account over ten percent of total revenues or total expenses, respectively, to prior period amounts and budget estimates. Variances exceeding ten percent of prior period amounts or budget estimates are explained below:

<u>Line Item</u>	<u>Explanation</u>
Direct institutional support	Athletic expenses increased and allocations of student fees for athletics decreased over the prior year resulting in the need for additional institutional support from auxiliary reserves to cover the deficit.
Athletic student aid	The increase in athletic student aid was primarily due to budget increases to reflect increases in tuition rates. Also, there was a decrease of three in-state student-athletes and subsequent increase of three out of state student-athletes resulting in increased scholarship expense. Additionally, the University increased scholarship amounts to cover the full cost of attendance as allowed by NCAA regulations.
Coaching salaries, benefits, and bonuses paid by the University and related entities	Athletics added two new positions (Directors of Basketball Operations) during fiscal year 2017 as required by Big South Conference membership. In addition, athletics increased salaries for coaches in the current year and paid bonuses to coaches, which had not been paid in the prior year.
Support staff/administrative compensation, benefits and bonuses paid by the University and related entities	This line item increased due to the addition of three positions over the previous year. Athletics added two existing positions to the Schedule based on the athletic-related nature of the employees' responsibilities. Athletics created the additional position to enhance academic support.

Revenues

8. We obtained the amount of tickets sales revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
9. 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.

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 with a difference of \$48,188.
11. 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.
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 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. Contributions from the Longwood University Foundation were deemed immaterial for detailed testing.
13. We obtained the amount of NCAA distributions revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
14. We obtained the amount of royalties, licensing, advertisement, and sponsorship revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
15. We obtained the amount of sports camp revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
16. We obtained the amount of other revenue from 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 ten percent of individual student-athletes across all sports and obtained the students' account detail from the institution's student information system. We agreed each student's information to the information reported in the NCAA Membership Financial Reporting System. We

also ensured that the total aid amount for each sport agreed to amounts reported as Financial Aid in the student accounting system.

18. We obtained the amount of game guarantees from the Schedule. This amount 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. After an adjustment of \$27,067 to move cell phone stipends from other expenses to this line item, we found coaches, support staff, and administrative compensation, benefits, and bonuses paid by the University and related entities to be reasonable.
20. We discussed the Intercollegiate Athletics Department's 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. Recruiting expense was deemed to be immaterial for detailed testing.
21. We selected a sample of disbursements for team travel, direct overhead and administrative expenses, indirect cost paid to the institution by athletics, 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.
22. We obtained a listing of debt service payments for athletics facilities for the reporting year. We selected all facility payments included in the Schedule, including the two highest facility payments, and agreed them to supporting documentation.
23. 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

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

25. 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.
26. We agreed the fair value of athletics dedicated endowments to supporting documentation provided by the University.
27. Following an adjustment to add the value of institutional endowments of \$1,607,753, we agreed the fair value of institutional endowments to supporting documentation.
28. The value of capital expenditures was not originally included in Longwood's Schedule. We obtained a schedule of athletics related capital expenditures made during the period and Athletics adjusted the Schedule to include total capital expenditures of \$100,615. This amount was deemed to be immaterial for detailed testing.

Additional Procedures

29. 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.
30. 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.
31. 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 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

EMS/clj

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

	Men's Basketball	Women's Basketball	Men's Soccer	Women's Soccer	Men's Track	Women's Track	Other Sports	Non-Program Specific	Total
Operating revenues:									
Ticket sales	\$ 16,180	\$ 4,965	\$ -	\$ -	\$ -	\$ -	\$ 13,480	\$ -	\$ 34,625
Student fees	-	-	-	-	-	-	-	7,702,925	7,702,925
Direct institutional support	2,741	10,317	38,336	115,165	10,000	4,000	314,801	1,786,846	2,282,206
Guarantees	390,000	88,300	2,000	-	-	-	6,000	-	486,300
Contributions	191,981	4,502	6,506	10,273	390	370	178,925	40,312	433,259
NCAA distributions	-	-	-	-	-	-	-	364,764	364,764
Royalties, licensing, advertisement and sponsorships	-	-	-	-	-	-	-	244,628	244,628
Sports camp revenues	45,562	-	12,239	18,908	-	-	150,602	-	227,311
Other operating revenue	-	-	-	-	-	-	42,654	57,734	100,388
Total operating revenues	<u>646,464</u>	<u>108,084</u>	<u>59,081</u>	<u>144,346</u>	<u>10,390</u>	<u>4,370</u>	<u>706,462</u>	<u>10,197,209</u>	<u>11,876,406</u>
Operating expenses:									
Athletic student aid	581,709	625,589	233,470	342,081	14,000	8,000	1,548,253	15,831	3,368,933
Guarantees	8,500	2,500	-	-	-	-	3,000	-	14,000
Coaching salaries, benefits, and bonuses paid by the University and related entities	486,175	356,881	134,587	136,381	40,773	41,808	905,036	-	2,101,641
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	-	-	-	-	-	-	-	1,681,834	1,681,834
Recruiting	75,060	44,852	3,688	4,358	75	342	27,920	-	156,295
Team travel	217,567	95,568	59,470	60,189	7,433	7,469	410,128	4,279	862,103
Sports equipment, uniforms, and supplies	47,267	44,515	26,196	20,813	5,203	7,111	177,501	26,073	354,679
Game expenses	61,958	26,650	9,051	10,444	-	-	72,450	2,722	183,275
Fundraising, marketing and promotion	-	-	-	997	-	-	7,230	6,969	15,196
Sports camp expenses	55,666	-	3,883	15,563	-	-	107,045	-	182,157
Spirit groups	-	77	-	-	-	-	-	42,072	42,149
Athletic facility debt service	-	-	-	-	-	-	-	1,020,792	1,020,792
Direct overhead and administrative expenses	-	18,400	-	-	-	-	37,906	193,553	249,859
Indirect cost paid to the institution by athletics	86,089	49,765	14,988	18,356	4,652	4,805	118,346	310,313	607,314
Medical expenses and insurance	1,955	726	-	-	-	-	440	93,168	96,289
Memberships and dues	2,285	1,913	984	585	50	50	4,093	36,336	46,296
Student-Athlete Meals (non-travel)	8,573	2,560	424	548	273	273	896	-	13,547
Other operating expenses	<u>98,993</u>	<u>30,197</u>	<u>3,226</u>	<u>15,169</u>	<u>920</u>	<u>1,035</u>	<u>126,547</u>	<u>436,918</u>	<u>713,005</u>
Total operating expenses	<u>1,731,797</u>	<u>1,300,193</u>	<u>489,967</u>	<u>625,484</u>	<u>73,379</u>	<u>70,893</u>	<u>3,546,791</u>	<u>3,870,860</u>	<u>11,709,364</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (1,085,333)</u>	<u>\$ (1,192,109)</u>	<u>\$ (430,886)</u>	<u>\$ (481,138)</u>	<u>\$ (62,989)</u>	<u>\$ (66,523)</u>	<u>\$ (2,840,329)</u>	<u>\$ 6,326,349</u>	<u>\$ 167,042</u>
Other Reporting Items:									
Total athletics-related debt									\$ 6,155,000
Total institutional debt									\$ 65,459,588
Value of athletics-dedicated endowments									\$ 1,607,753
Value of institutional endowments									\$ 1,607,753
Total athletics-related capital expenditures									\$ 100,615

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, 2017

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, 2017, 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, 2017. 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, 2017, are as follows:

Buildings	\$ 3,706,634
Equipment	427,362
Infrastructure	5,716,000
Land	1,042,794
CIP	<u>233,989</u>
Total	<u>\$ 11,126,779</u>

2. AFFILIATED ORGANIZATION

The University received \$433,259 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, 2017, as follows:

Lacrosse/Field Hockey Complex	\$ 321,505
Soccer Fields	119,372
Baseball/Softball Field	173,944
Willet Hall Renovation	111,897
Athletic Offices	<u>294,074</u>
Total	<u>\$ 1,020,792</u>

4. LONG-TERM DEBT

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

Soccer Fields, Series 2005A	3.75-5.00%	2025	920,000
Lancer Gym - Willet Hall, Series 2005A	3.50-5.00%	2025	870,000
Baseball / Softball 2006A	3.00-5.00%	2027	690,000
Lacrosse / Field Hockey, Series 2007A	3.00-5.00%	2028	770,000
Baseball / Softball 2007A	3.00-5.00%	2028	790,000
Athletic Offices	3.00-5.00%	2018	<u>565,000</u>
Total			<u>\$ 6,155,000</u>

Long-term debt matures as follows:

Year Ending June 30,	Principal	Interest
2018	\$ 775,000	\$ 264,075
2019	800,000	226,825
2020	540,000	194,050
2021	575,000	166,175
2022	595,000	136,925
2023 - 2027	2,690,000	267,475
2028 - 2032	<u>180,000</u>	<u>4,500</u>
Total	<u>\$ 6,155,000</u>	<u>\$ 1,260,025</u>

5. ADMINISTRATIVE COST RECOVERY

In fiscal year 2017 the amount of administrative cost recovery for Intercollegiate Athletics Programs, based on the State Council of Higher Education for Virginia approved recovery rate of 14.74 percent, was \$607,317. This total of \$607,317 is accounted for on the Indirect cost paid to the institution by athletics line on the accompanying Schedule.

LONGWOOD UNIVERSITY

As of June 30, 2017

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