



OLD DOMINION UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2018

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 9, 2019

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
And Review Commission

John R. Broderick
President, Old Dominion 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 **Old Dominion 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, 2018. 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, 2018, 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 one difference between the amounts in the Intercollegiate Athletics Department's accounting records and the amounts on the trial balance. The University reclassified \$850 to comply with the NCAA reporting guidance. 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. Variances exceeding ten percent of prior period amounts or budget estimates are explained below:

<u>Line Item</u>	<u>Explanation</u>
Contributions	Actual gifts and contributions received by the University exceeded prior year amounts by \$1,301,085 or 23.6 percent and budgeted amounts by \$1,519,712 or 28.7 percent. The budget to actual variance is attributable to payments made on behalf of intercollegiate athletics by the Old Dominion Athletics Foundation, as intercollegiate athletics does not budget for payments made on its behalf. The year to year increase in direct payments made by the Foundation to the University and payments made by the Foundation on behalf of the University relate primarily to increased support for the football program.

Revenues

9. We performed a recalculation of ticket sales revenue for Football and Men's and Women's Basketball by comparing the number of tickets sold, attendance, and sale price to total revenue recorded in the Schedule. We determined the amounts reported in the Schedule to be substantially in agreement with our recalculation.
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 obtained the amount of game guarantee revenue reported in the Schedule. This amount was deemed to be 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 Old Dominion Athletics 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 Old Dominion Athletics Foundation which exceeded ten percent of all contributions and agreed them to supporting documentation.

13. We obtained the amount of in-kind revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.
14. We obtained the amount of media rights revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.
15. 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 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. This amount was deemed to be immaterial for detailed testing.
17. We obtained the amount of royalties, licensing, advertisements, and sponsorships revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.
18. We obtained the amount of sports camp revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.
19. We obtained the amount of other operating revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

Expenses

20. 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. We performed a check of selected students information as reported in the NCAA's Compliance Assistant software to ensure proper calculation of revenue distribution equivalencies.

21. We obtained the amount of game guarantee expense for home games during the reporting period from the Schedule. This amount was deemed to be immaterial for detailed testing.
22. 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.
23. 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.
24. We selected a sample of disbursements for team travel; sports equipment, uniforms, and supplies; direct overhead and administration; 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.
25. We obtained a listing of debt service payments for athletics facilities for the reporting year. We agreed all significant facility payments included in the Schedule, including the two highest facility payments, to supporting documentation.
26. 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

27. 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.
28. 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.
29. We agreed the fair value of athletics dedicated endowments to supporting documentation provided by the University and the University's Foundation.

30. 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 Foundations, as applicable.
31. We obtained a schedule of athletics related capital expenditures made during the period. We selected a sample of transactions to validate existence and accuracy of recording and recalculated totals.

Additional Procedures

32. 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.
33. 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.
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.

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 Old Dominion 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 Old Dominion 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

OLD DOMINION UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2018

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
<u>Operating revenues:</u>						
Ticket sales	\$ 2,473,675	\$ 816,799	\$ 76,491	\$ 59,462	\$ -	\$ 3,426,427
Student fees	-	-	-	-	28,028,029	28,028,029
Guarantees	175,000	35,837	-	2,500	-	213,337
Contributions	3,272,163	1,072,400	435,314	500,888	1,539,525	6,820,290
In-Kind	46,093	21,226	38,377	7,966	22,431	136,093
Media rights	20,000	-	-	-	221,201	241,201
NCAA distributions	-	-	-	31,508	1,752,506	1,784,014
Conference distributions (non-media or bowl)	766,669	276,107	-	300	225,000	1,268,076
Program, novelty, parking, and concession sales	163,347	-	-	-	25,032	188,379
Royalties, licensing, advertisement and sponsorships	319,530	115,250	64,000	50,408	1,056,102	1,605,290
Sports camp revenues	806	3,457	-	11,450	-	15,713
Other operating revenue	1,480	8,987	1,300	2,515	529,902	544,184
Total operating revenues	7,238,763	2,350,063	615,482	666,997	33,399,728	44,271,033
<u>Operating expenses:</u>						
Athletic student aid	3,759,031	593,840	445,473	4,825,940	53,990	9,678,274
Guarantees	475,000	140,582	24,876	12,023	-	652,481
Coaching salaries, benefits, and bonuses paid by the University and related entities	2,334,434	1,135,969	730,167	3,146,946	-	7,347,516
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	375,769	238,857	159,505	51,672	5,714,225	6,540,028
Recruiting	286,487	163,943	129,644	221,425	4,316	805,815
Team travel	1,171,686	515,284	316,480	1,450,222	-	3,453,672
Sports equipment, uniforms, and supplies	704,079	160,688	133,914	632,064	336,515	1,967,260
Game expenses	585,011	305,482	230,062	296,335	-	1,416,890
Fundraising, marketing and promotion	103,324	55,319	20,224	17,993	598,180	795,040
Sports camp expenses	2,452	573	81	-	-	3,106
Spirit groups	-	-	-	-	93,782	93,782
Athletic facility debt service	-	-	-	-	4,361,257	4,361,257
Direct overhead and administrative expenses	409,873	1,478	1,342	270,009	1,634,570	2,317,272
Indirect cost paid to the institution by athletics	-	-	-	-	2,573,795	2,573,795
Medical expenses and insurance	11,277	1,729	-	5,266	366,756	385,028
Memberships and dues	2,565	3,695	872	11,605	388,187	406,924
Student-Athlete Meals (non-travel)	21,105	-	-	150	-	21,255
Other operating expenses	452,855	30,890	82,936	183,556	1,619,581	2,369,818
Total operating expenses	10,694,948	3,348,329	2,275,576	11,125,206	17,745,154	45,189,213
Excess (deficiency) of revenues over (under) expenses	\$ (3,456,185)	\$ (998,266)	\$ (1,660,094)	\$ (10,458,209)	\$ 15,654,574	\$ (918,180)
<u>Other Reporting Items:</u>						
Total athletics-related debt						\$ 37,313,400
Total institutional debt						\$ 213,499,204
Value of athletics-dedicated endowments						\$ 33,412,512
Value of institutional endowments						\$ 55,642,048
Total athletics-related capital expenditures						\$ 448,931

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

OLD DOMINION UNIVERSITY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2018

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics 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, 2018. The Schedule includes those intercollegiate athletics revenues and expenses made on behalf of the University's athletics programs by outside organizations not under the accounting control of the University. 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 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. AFFILIATED ORGANIZATIONS

The University received \$6,820,290 from the Old Dominion Athletic Foundation and the Old Dominion University Educational Foundation. Approximately \$3,499,086 of these funds was for scholarships for student athletes. The amount received is included in the accompanying Schedule in Contributions revenue.

3. CAPITAL ASSETS

The Intercollegiate Athletics Department follows the same policies and procedures as the University for acquiring, approving, disposing, and depreciating capital assets. Capital assets generally are defined by the University as assets with an estimated useful life in excess of one year and an initial cost of \$5,000 or more, except for computer software which is capitalized at a cost of \$100,000. Capital assets are recorded at actual cost or estimated historical cost if purchased or constructed, except for intra-entity purchases which are recorded at the transferor's carrying value. Donated capital assets are recorded at the acquisition value at the date of donation, with the exception of intra-entity capital donations which are recorded at the carrying value of the asset on the transferor's books as of the date of transfer. Expenses for construction in progress are capitalized as projects are constructed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. Infrastructure assets are included in the financial statements and are depreciated. The University records depreciation on property, plant and equipment, including capital leases and excluding land and construction in progress, computed over the estimated useful lives of the assets based on the straight-line method. The general range of estimated useful lives is five to 50 years for

buildings and two to 25 years for equipment. The general range of estimated useful lives is two to 30 years for other improvements and infrastructure. Capital assets at the time of disposal revert to the Commonwealth of Virginia for disposition.

A summary of the various capital asset categories relating to Athletics for the year ending June 30, 2018 is presented as follows:

	<u>Ending Balance</u>
Nondepreciable Capital Assets:	
Land	\$ 539,000
Construction in progress	<u>5,552,454</u>
Total Nondepreciable Capital Assets	<u>6,091,454</u>
 Depreciable Capital Assets:	
Buildings	85,944,467
Equipment	4,998,661
Improvements other than building	<u>3,220,803</u>
Total Depreciable Capital Assets	<u>94,163,931</u>
 Less Accumulated Depreciation For:	
Buildings	23,373,440
Equipment	3,822,365
Improvements other than building	<u>1,365,744</u>
Total Accumulated Depreciation	<u>28,561,549</u>
Depreciable Capital Assets, net	<u>65,602,382</u>
Total Capital Assets, net	<u><u>\$ 71,693,836</u></u>

4. LONG-TERM DEBT

Long-term debt relating to Athletics:

Description	Interest Rates	Maturity	As of June 30, 2018
Revenue Bonds:			
Recreation, Series 2007B	4.00% - 4.50%	2020	\$ 4,514,994
Recreation, Series 2010B	5.00%	2021	630,000
Recreation, Series 2010B	5.00%	2022	3,415,000
Recreation, Series 2014B	3.00% - 5.00%	2020	133,322
Total Convocation Center			8,693,316
Percent used by Athletics			20%
Portion of Convocation Center			1,738,664
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2025	990,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2025	1,475,000
Athletic Fac. Exp., Series 2014B	4.00%	2026	255,000
Athletic Fac. Exp., Series 2014B	5.00%	2024	315,000
Athletic Fac. Exp., Series 2014B	4.00% - 5.00%	2026	225,000
Athletic Fac. Exp., Series 2014B	3.00%	2027	190,000
Athletic Fac. Exp., Series 2014B	3.00% - 5.00%	2028	60,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2025	615,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2025	1,150,000
Indoor Tennis Court, Series 2014B	4.00%	2026	200,000
Indoor Tennis Court, Series 2014B	5.00%	2024	90,000
Indoor Tennis Court, Series 2014B	4.00% - 5.00%	2026	120,000
Indoor Tennis Court, Series 2016A	3.00%	2027	35,000
Indoor Tennis Court, Series 2016A	3.00% - 5.00%	2028	30,000
Powhatan Sports Ctr, Series 2009A	3.25% - 5.00%	2021	2,735,000
Powhatan Sports Ctr, Series 2010A	3.75% - 5.50%	2031	675,000
Powhatan Sports Ctr, Series 2014A	5.00%	2035	2,720,000
Powhatan Sports Ctr, Series 2014B	4.00% - 5.00%	2026	2,900,000
Powhatan Sports Ctr, Series 2015B	3.00% - 5.00%	2029	15,620,000
Powhatan Sports Ctr, Series 2016A	3.00% - 5.00%	2028	945,000
Total Revenue Bonds			33,083,664
Capital Leases			8,514
Contractual Obligations			60,500
Total Revenue Bonds, Capital Leases, Contractual Obligations			\$ 33,152,678
Unamortized Bond Premium			\$ 4,610,722

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,889,253	\$ 1,488,302
2020	2,949,425	1,354,443
2021	3,064,000	1,210,974
2022	3,075,000	1,058,384
2023	2,850,000	910,612
2024-2028	14,665,000	2,436,475
2029-2033	3,210,000	303,662
2034-2038	<u>450,000</u>	<u>22,750</u>
Total	<u>\$ 33,152,678</u>	<u>\$ 8,785,602</u>

5. ALLOCATION OF ATHLETIC OVERHEAD COSTS

The University recovers a percentage of each auxiliary enterprise's expenses, including athletics, to cover overhead costs such as utilities and custodial services. In the fiscal year ended June 30, 2018, the overhead rate charged to athletics and other auxiliary enterprise was 10.99 percent. This amount is reported as Indirect Cost Paid to the Institution by Athletics Expense.

6. NON-REVENUE FUNDING SOURCES

The Intercollegiate Athletics Department used \$918,180 from athletics reserves from previous years' surplus. This is not reflected as current year revenues to avoid double counting revenue recognized in previous years.

OLD DOMINION UNIVERSITY

As of June 30, 2018

BOARD OF VISITORS

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Lisa B. Smith, Vice Rector

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UNIVERSITY OFFICIALS

John R. Broderick, President

Deborah Swiecinski, Associate Vice President for Administration and Financial Services

Camden W. Selig, Director of Intercollegiate Athletics Programs

Mary C. Deneen, Assistant Vice President for Finance/University Controller