



RADFORD UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS

FOR THE YEAR ENDED

JUNE 30, 2016

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 11, 2017

The Honorable Terence R. McAuliffe
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, for the year ended June 30, 2016. 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 attestation standards established by the American Institute of Certified Public Accountants and 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 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, 2016, 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. Certain adjustments to the Schedule were necessary to conform with NCAA reporting

guidance. We discussed the nature of work sheet adjustments 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 one million dollars or 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 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. 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 Radford University Foundation, Inc., 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 Radford University Foundation, 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. We agreed in-kind contributions to a Schedule of in-kind donations or other supporting documentation to ensure reasonable valuation of the in-kind contribution in the Schedule.
14. We obtained the amount of revenue from broadcast, television, radio, internet, and e-commerce rights from 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 gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation. Contributions from the NCAA for the Special Assistance Fund and Student Athlete Opportunity Fund were improperly commingled in the accounting system. An adjustment was made to reclassify a net amount of \$24,188 from the Special Assistance Fund account to the Student Athlete Opportunity Fund account in accordance with the terms of the respective agreements. As both items are reported in the same line item within the Schedule, an adjustment to the Schedule was not necessary.
16. 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. An adjustment to the Schedule of \$25,540 was made to properly reflect certain commission payments as royalties, licensing, advertisements, and sponsorships revenue rather than program, novelty, parking and concession sales revenue. Following adjustment, the amounts are properly recorded in the Schedule.
17. We compared the amount of revenue related to other revenue to the amount reported in the Schedule. We reviewed classification of the three largest 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. Because 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. We reviewed the Schedule and obtained the amount of expense related to home game guarantee payments. 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 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 noted substantial agreement of those policies.
22. We selected a sample of disbursements for sports equipment, uniforms, and supplies, game expenses, fundraising, marketing, and promotion, spirit groups, team travel, direct overhead and administration, medical expenses and medical insurance, and other operating expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found reviewed amounts to be properly approved and reasonable to intercollegiate athletics. Two transactions required reclassification based on NCAA guidance. Adjustments to the Schedule were made to reclassify \$620 from game expenses to other operating expenses; and \$27,915 reported as sports equipment, uniforms and supplies to total athletics related capital expenditures. Following adjustment, the amounts are properly recorded in the Schedule.
23. We obtained a listing of debt service payments, lease 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.
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.

Additional Procedures

25. 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.
26. 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.

We were not engaged to and did not conduct an examination, 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

EMS/alh

RADFORD UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2016

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:					
Ticket sales	\$ 54,815	\$ 9,323	\$ 372	\$ -	\$ 64,510
Student fees	-	-	-	11,339,471	11,339,471
Guarantees	180,000	38,000	9,400	-	227,400
Contributions	8,941	2,477	504,644	21,804	537,866
In-Kind	5,063	-	60,015	12,208	77,286
Media rights	-	-	-	52	52
NCAA distributions	-	-	-	577,415	577,415
Conference distributions (non-media or bowl)	-	1,133	1,050	-	2,183
Royalties, licensing, advertisement and sponsorships	13,930	1,986	25,872	407,452	449,240
Other operating revenue	-	-	1,968	72,681	74,649
Total operating revenues	<u>262,749</u>	<u>52,919</u>	<u>603,321</u>	<u>12,431,083</u>	<u>13,350,072</u>
Operating expenses:					
Athletic student aid	488,913	469,719	2,261,642	9,875	3,230,149
Guarantees	5,500	3,500	-	-	9,000
Coaching salaries, benefits, and bonuses paid by the University and related entities	522,302	331,173	1,565,785	-	2,419,260
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	51,654	29,844	-	2,251,035	2,332,533
Recruiting	66,365	59,098	135,569	-	261,032
Team travel	114,421	80,929	533,104	-	728,454
Sports equipment, uniforms, and supplies	33,705	33,892	580,087	82,118	729,802
Game expenses	50,962	26,311	91,532	3,642	172,447
Fundraising, marketing and promotion	1,260	1,986	1,746	187,809	192,801
Spirit groups	63,946	63,946	-	-	127,892
Athletic facility debt service	-	-	119,687	10,636	130,323
Direct overhead and administrative expenses	1,163	997	31,717	602,178	636,055
Indirect cost paid to the institution by athletics	-	-	-	1,008,049	1,008,049
Medical expenses and insurance	-	-	1,059	316,313	317,372
Memberships and dues	675	787	5,904	38,505	45,871
Student-Athlete Meals (non-travel)	7,417	3,676	13,469	-	24,562
Other operating expenses	13,544	8,753	23,246	195,651	241,194
Total operating expenses	<u>1,421,827</u>	<u>1,114,611</u>	<u>5,364,547</u>	<u>4,705,811</u>	<u>12,606,796</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (1,159,078)</u>	<u>\$ (1,061,692)</u>	<u>\$ (4,761,226)</u>	<u>\$ 7,725,272</u>	<u>\$ 743,276</u>
Other Reporting Items:					
Total athletics-related debt					\$ 38,290
Total institutional debt					\$ 48,699,495
Value of athletics-dedicated endowments					\$ 2,876,522
Value of institutional endowments					\$ 44,934,000
Total athletics-related capital expenditures					\$ 362,053

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, 2016

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 Athletics Programs for the year ended June 30, 2016. 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 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 programs. The Intercollegiate Athletics Programs received \$537,866 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 Athletics Program has future obligations under an 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 the agreement as of June 30, 2016 is as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2017	\$12,055	\$ 708
June 30, 2018	12,308	455
June 30, 2019	<u>12,567</u>	<u>197</u>
Total	<u>\$36,930</u>	<u>\$ 1,360</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 2016, this charge to the athletics programs amounted to \$1,008,049 and is included in the "Indirect cost paid to the 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 2 to 25 years for equipment.

A summary of capital asset balances for the year ending June 30, 2016 follows:

Depreciable capital assets:	
Buildings	\$30,660,853
Equipment	1,357,741
Site Improvements	<u>5,362,869</u>
Total depreciable capital assets	<u>37,381,463</u>
Less accumulated depreciation for:	
Buildings	(13,612,230)
Equipment	(667,810)
Site Improvements	<u>(2,987,916)</u>
Total accumulated depreciation	<u>(17,267,956)</u>
Total capital assets for intercollegiate athletics, net of accumulated depreciation	<u><u>\$20,113,507</u></u>

RADFORD UNIVERSITY

As of June 30, 2016

BOARD OF VISITORS

Anthony R. Bedell, Rector

Christopher Wade, Vice Rector

Michele N. Schumacher, Secretary

Mary Waugh Campbell	Mark S. Lawrence
Krishna Chachra	Randolph "Randy" J. Marcus
Callie M. Dalton	Alethea "AJ" Robinson
Kevin R. Dye	Steve A. Robinson
Mary Ann Hovis	Ruby W. Rogers
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UNIVERSITY OFFICIALS

As of January 11, 2017

Brian O Hemphill, President

Robert G. Lineburg, Director of Intercollegiate Athletics Programs