



# LONGWOOD UNIVERSITY

## INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2018

Auditor of Public Accounts  
Martha S. Mavredes, CPA

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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, 2019

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Thomas K. Norment, Jr.  
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 3.2.4.15.1, 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. Certain adjustments to the Schedule were necessary to conform with 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>
Direct institutional support	The increase was primarily due to the decrease in other sources of revenue such as game guarantees, NCAA revenue, ticket sales, and contributions over prior year resulting in the need to supplement with direct institutional support.
Coaching salaries, benefits, and bonuses paid by the University and related entities	During fiscal year 2018, the University changed basketball coaches resulting in additional payroll expense due to the overlap of coaching contracts. Additionally, the University approved across the board salary and associated benefit increases. Lastly, the University included additional pay for camps in the salaries line while in prior fiscal year these expenses were included in camp expenses.

### **Revenues**

9. We obtained the amount of ticket sales revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
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 compared amounts reported in the Schedule for direct institutional support to institutional budget transfer documentation and/or other corroborative supporting documentation. Following an adjustment made to record an additional \$702,068 in direct institutional support, we noted the amount reported to be in agreement with supporting documentation.

12. We obtained the amount of indirect institutional support revenue from the Schedule. This amount was deemed to be immaterial for detailed testing. An adjustment of \$27,631 was made to record the revenue to match indirect institutional support expense.
13. We obtained the amount of game guarantee revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
14. 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.
15. We obtained the amount of NCAA distributions revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
16. We obtained the amount of royalties, licensing, advertisement, and sponsorships revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
17. We obtained the amount of sports camp revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
18. We obtained the amount of other operating revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.

#### **Expenses**

19. 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 (or NCAA Membership Financial Reporting System) to ensure proper calculation of revenue distribution equivalencies.
20. We obtained the amount of game guarantees expense from the Schedule. This amount was deemed to be immaterial for detailed testing.

21. 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. An adjustment of \$142,833 was made to the amount included in the Schedule for support staff compensation. Following adjustment, the amount is in agreement with supporting documentation.
22. We obtained the amount of severance payment expense from the Schedule. This amount was deemed to be immaterial for detailed testing.
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, 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.
25. 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.
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 reported 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, 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.
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 Foundation, as applicable. An adjustment was made to record an addition of \$70,467,385 to institutional endowments. Following adjustment, the amount reported is in agreement with supporting documentation.
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. As a result of this testing, the University removed \$24,175 from this line item for purchases that it did not capitalize.

#### **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 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/vks

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

	Men's Basketball	Women's Basketball	Men's Soccer	Women's Soccer	Men's Track	Women's Track	Other Sports	Non-Program Specific	Total
<u>Operating revenues:</u>									
Ticket sales	\$ 11,712	\$ 5,703	\$ -	\$ 756	\$ -	\$ -	\$ -	\$ -	\$ 18,171
Student fees	-	-	-	-	-	-	-	7,978,606	7,978,606
Direct institutional support	5,340	10,706	7,000	40,821	6,000	-	365,466	2,283,292	2,718,625
Indirect institutional support	-	-	-	-	-	-	-	27,631	27,631
Guarantees	332,500	30,000	7,000	-	-	-	29,500	-	399,000
Contributions	1,608	3,022	8,681	9,105	485	320	83,899	73,930	181,050
NCAA distributions	-	-	-	-	-	-	-	284,488	284,488
Royalties, licensing, advertisement and sponsorships	-	-	-	-	-	-	-	262,351	262,351
Sports camp revenues	6,917	2,340	11,076	18,577	-	-	101,559	-	140,469
Other operating revenue	-	-	203	638	-	-	35,551	116,705	153,097
Total operating revenues	<u>358,077</u>	<u>51,771</u>	<u>33,960</u>	<u>69,897</u>	<u>6,485</u>	<u>320</u>	<u>615,975</u>	<u>11,027,003</u>	<u>12,163,488</u>
<u>Operating expenses:</u>									
Athletic student aid	547,997	560,885	221,220	349,769	6,000	8,000	1,582,910	10,062	3,286,843
Guarantees	6,000	1,500	-	-	-	-	3,000	-	10,500
Coaching salaries, benefits, and bonuses paid by the University and related entities	530,925	409,982	145,713	157,468	38,957	41,124	1,058,615	-	2,382,784
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	-	-	-	-	-	-	-	1,807,182	1,807,182
Severance payments	166,500	-	-	-	-	-	-	-	166,500
Recruiting	58,804	20,350	1,832	1,926	293	322	33,714	-	117,241
Team travel	149,012	85,596	36,400	73,589	3,623	3,810	420,476	50,575	823,081
Sports equipment, uniforms, and supplies	50,908	34,911	21,201	21,584	4,944	5,324	160,523	23,459	322,854
Game expenses	76,142	42,819	9,681	9,527	(200)	(200)	71,853	1,319	210,941
Fundraising, marketing and promotion	-	-	-	-	-	-	165	29,783	29,948
Sports camp expenses	2,922	-	300	810	-	-	25,866	-	29,898
Spirit groups	9,895	-	-	-	-	-	-	44,687	54,582
Athletic facility debt service	-	-	-	-	-	-	-	1,038,725	1,038,725
Direct overhead and administrative expenses	-	-	-	-	-	-	1,306	239,534	240,840
Indirect cost paid to the institution by athletics	107,885	55,427	18,090	20,510	4,909	5,306	138,806	336,474	687,407
Indirect institutional support	-	-	-	-	-	-	-	27,631	27,631
Medical expenses and insurance	996	-	-	-	-	-	-	118,617	119,613
Memberships and dues	1,570	2,888	465	425	868	868	5,879	63,970	76,933
Student-Athlete Meals (non-travel)	14,231	1,522	-	-	-	-	249	2,423	18,425
Other operating expenses	<u>50,690</u>	<u>18,695</u>	<u>6,067</u>	<u>7,561</u>	<u>1,111</u>	<u>1,375</u>	<u>84,545</u>	<u>302,536</u>	<u>472,580</u>
Total operating expenses	<u>1,774,477</u>	<u>1,234,575</u>	<u>460,969</u>	<u>643,169</u>	<u>60,505</u>	<u>65,929</u>	<u>3,587,907</u>	<u>4,096,977</u>	<u>11,924,508</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (1,416,400)</u>	<u>\$ (1,182,804)</u>	<u>\$ (427,009)</u>	<u>\$ (573,272)</u>	<u>\$ (54,020)</u>	<u>\$ (65,609)</u>	<u>\$ (2,971,932)</u>	<u>\$ 6,930,026</u>	<u>\$ 238,980</u>
<u>Other Reporting Items:</u>									
Total athletics-related debt									\$ 5,380,000
Total institutional debt									\$ 60,379,395
Value of athletics-dedicated endowments									\$ 1,928,417
Value of institutional endowments									\$ 72,395,802
Total athletics-related capital expenditures									\$ 155,105

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, 2018**

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, 2018, 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, 2018. 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 5 to 50 years for buildings and fixtures and 3 to 20 years for equipment. The general range of estimated useful lives for infrastructure is 5 to 30 years. The estimated useful life of software is 5 years, all other intangibles vary based on type and expected useful life. The Athletic Department assets are acquired, approved, and disposed of in accordance with standard University policies.

The net book values for fixed assets in the Athletic department at June 30, 2018, are as follows:

Buildings	\$ 3,392,352
Equipment	426,655
Infrastructure	5,573,461
Land	1,042,794
CIP	96,860
Total	<u>\$ 10,532,122</u>

## 2. AFFILIATED ORGANIZATION

The University received \$181,050 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, 2018, as follows:

Lacrosse/Field Hockey Complex	\$ 323,288
Soccer Fields	125,327
Baseball/Softball Field	178,599
Willet Hall Renovation	118,107
Athletic Offices	293,405
Total	<u>\$ 1,038,726</u>

## 4. LONG-TERM DEBT

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

	Interest Rates (At Issuance)	Fiscal Year Maturity	Amount
Lacrosse / Field Hockey, Series 2004A	3.00-5.00%	2024	\$1,385,000
Soccer Fields, Series 2005A	3.75-5.00%	2025	835,000
Lancer Gym - Willet Hall, Series 2005A	3.50-5.00%	2025	790,000
Baseball / Softball 2006A	3.00-5.00%	2027	635,000
Lacrosse / Field Hockey, Series 2007A	3.00-5.00%	2028	715,000
Baseball / Softball 2007A	3.00-5.00%	2028	730,000
Athletic Offices	3.00-5.00%	2019	290,000
Total			<u>\$5,380,000</u>

Long-term debt matures as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 800,000	\$226,825
2020	540,000	194,050
2021	575,000	166,175
2022	595,000	136,925
2023	620,000	106,550
2024 - 2028	2,250,000	165,425
	<u>\$5,380,000</u>	<u>\$995,950</u>

5. ADMINISTRATIVE COST RECOVERY

In fiscal year 2018 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 \$689,904. \$687,407 is included in the indirect cost paid to the institution by athletics line and the remainder related to spirit groups is included in the spirit group line.

## **LONGWOOD UNIVERSITY**

As of June 30, 2018

### **BOARD OF VISITORS**

Marianne M. Radcliff, Rector

Eric Hansen, Vice Rector

Eileen M. Anderson	Collen M. Margiloff
Katharine M. Bond	Nadine Marsh-Carter
Michael A. Evans	Larry Palmer
Steven P. Gould	Polly H. Raible
David H. Hallock	Ricshawn A. Roane
Lucia A. Trigiani	

### **UNIVERSITY OFFICIALS**

Taylor Reveley, IV, President

Michelle Meadows, Interim Director of Intercollegiate Athletics Programs

Lousie Waller, Interim Vice President for Administration and Finance