



# RADFORD UNIVERSITY

## INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2020

Auditor of Public Accounts  
Staci A. Henshaw, CPA

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Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

January 15, 2021

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Kenneth R. Plum  
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** (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 3.2.4.17.1, for the year ended June 30, 2020. 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, 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 the Office of Audit and Advisory Services, competence of personnel, protection of records and equipment, and controls regarding information systems with the Department of Information Technology.
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 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 University's 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, 2020, 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 to

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. We identified no variances exceeding ten percent of prior period amounts or budget estimates.

### **Revenues**

9. We obtained the amount of ticket sales revenue from the Schedule. The 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 obtained the amount of game guarantee revenue from the Schedule. The 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 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, Inc., which exceeded ten percent of all contributions and agreed them to supporting documentation.
13. We obtained the amount of in-kind revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
14. We obtained the amount of media rights revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
15. We obtained the amount of revenue from tournaments, conference distributions, and NCAA distributions from the Schedule. The amounts were deemed to be immaterial for detailed testing.

16. We obtained the amount of program, novelty, parking, and concession sales revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
17. Intercollegiate Athletics department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, licensing, advertisement, and sponsorships. We performed a review of all advertising revenue, selected a sample of agreements, and inspected the terms of selected agreements for proper posting in the accounting records and supporting documentation, noting one exception. We determined that one vendor was not invoiced for \$2,000.
18. We obtained the amount of athletics restricted endowment and investments income from the Schedule. The amount was deemed to be immaterial for detailed testing.
19. We obtained the amount of other operating revenue from the Schedule. The 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 report 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 via Compliance Assistant. 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 Membership Financial Reporting System to ensure proper calculation of revenue distribution equivalencies.
21. We obtained the amount of game guarantee expense from the Schedule. The 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 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 amount of severance payments made during the reporting period from the Schedule. The amount was deemed to be immaterial for detailed testing.

24. 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.
25. We selected a sample of disbursements for team travel and direct overhead and administrative 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.
26. We obtained the amount of athletic facility debt service, leases, and rental fees from the Schedule. These amounts were deemed to be immaterial for detailed testing.
27. 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**

28. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We determined there was athletics-related debt outstanding as of June 30, 2020. However, payments related to this debt are paid by the Radford University Foundation. We determined that amounts related to this this debt are appropriately recorded within the Schedule.
29. 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.
30. We agreed the fair value of athletics dedicated endowments to supporting documentation provided by the University's Foundation.
31. We agreed the fair value of institutional endowments to supporting documentation provided by the University's Foundation.
32. We obtained a listing of athletics-related capital expenditures made during the audit period. We noted that \$5,809 of capital related expenditures have been omitted from the other reporting items section of the Schedule. After adjustment, we determined athletics-related capital expenditures to be properly reported in the Schedule.

### **Additional Procedures**

33. 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.
34. We compared current year grants-in-aid revenue distribution equivalencies to prior year reported equivalencies per the NCAA Membership Financial Report submission and noted no variations exceeding four percent when compared to prior year.
35. 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 or qualified for the extraordinary blanket waiver per NCAA guidance due to the COVID-19 pandemic. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.
36. We compared the current number of sports sponsored to the prior year total reported in the University's NCAA Membership Financial Report submission and noted no variations when compared to prior year.
37. 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.
38. We compared the total number of Pell grant awards in the current year to the number reported in the prior year NCAA Membership Financial Report submission. We noted no variations greater than 20 grants when compared with the prior year.

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 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.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

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RADFORD UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the year ended June 30, 2020

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
<u>Operating revenues:</u>					
Ticket sales	\$ 98,592	\$ 16,612	\$ 4,928	\$ -	\$ 120,132
Student fees	-	-	-	9,650,074	9,650,074
Guarantees	357,500	77,000	5,000	-	439,500
Contributions	32,205	5,152	340,445	340,499	718,301
In-Kind	-	5,472	85,680	7,015	98,167
Media rights	-	-	-	40,000	40,000
NCAA distributions	-	-	8,400	339,516	347,916
Conference distributions (non-media or bowl)	-	-	-	60,825	60,825
Program, novelty, parking, and concession sales	-	-	-	3,910	3,910
Royalties, licensing, advertisement and sponsorships	31,820	7,830	46,075	483,060	568,785
Athletics restricted endowment and investments income	12,136	2,961	95,981	-	111,078
Other operating revenue	-	-	-	10,821	10,821
Total operating revenues	532,253	115,027	586,509	10,935,720	12,169,509
<u>Operating expenses:</u>					
Athletic student aid	446,935	478,917	2,353,084	-	3,278,936
Guarantees	42,500	-	4,915	-	47,415
Coaching salaries, benefits, and bonuses paid by the University and related entities	737,454	385,628	1,650,089	-	2,773,171
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	55,342	45,175	-	2,112,862	2,213,379
Severance payments	-	-	201,118	12,577	213,695
Recruiting	36,955	23,036	40,524	-	100,515
Team travel	147,305	92,833	346,811	-	586,949
Sports equipment, uniforms, and supplies	59,283	28,150	271,234	35,351	394,018
Game expenses	57,103	27,945	57,027	27,158	169,233
Fundraising, marketing and promotion	7,080	5,837	5,019	450,361	468,297
Spirit groups	17,548	17,548	-	-	35,096
Athletic facility leases and rental fees	-	-	64,233	-	64,233
Athletic facility debt service	-	-	62,162	-	62,162
Direct overhead and administrative expenses	6,121	6,473	56,591	579,448	648,633
Indirect cost paid to the institution by athletics	-	-	-	983,115	983,115
Medical expenses and insurance	-	-	-	333,986	333,986
Memberships and dues	225	1,025	6,272	42,938	50,460
Student-Athlete meals (non-travel)	23,195	9,317	53,846	-	86,358
Other operating expenses	37,368	22,347	70,587	130,322	260,624
Total operating expenses	1,674,414	1,144,231	5,243,512	4,708,118	12,770,275
Excess (deficiency) of revenues over (under) expenses	\$ (1,142,161)	\$ (1,029,204)	\$ (4,657,003)	\$ 6,227,602	\$ (600,766)
<u>Other Reporting Items:</u>					
Total athletics-related debt					\$ 280,837
Total institutional debt					\$ 76,010,521
Value of athletics-dedicated endowments					\$ 2,848,790
Value of institutional endowments					\$ 56,206,467
Total athletics-related capital expenditures					\$ 5,809

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 THE SCHEDULE OF REVENUES AND EXPENSES OF**  
**INTERCOLLEGIATE ATHLETIC PROGRAMS**  
**AS OF JUNE 30, 2020**

**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 Athletic Programs for the year ended June 30, 2020. The Schedule includes those intercollegiate athletics revenues and expenses made on behalf of the University's athletic 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 program. The Intercollegiate Athletic Program received \$829,379 from the Radford University Foundation, Inc., which are included in revenue as "contributions" and "athletics restricted endowment and investment income" in the accompanying Schedule. The Radford University Foundation, Inc. has obligations under an installment purchase agreement relating to the renovation of the University's baseball field. The balance of this installment purchase, \$280,837 is listed under Other Reporting Items.

**3. UNIVERSITY ADMINISTRATIVE FEE**

The Commonwealth's Appropriation Act (§ 3-4.01 of Chapter 1283 of the 2020 General Assembly Session) 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 2020, this charge to the athletic department amounted to \$983,115 and is included in the "Indirect cost paid to institution by athletics" expense line as Non-Program Specific.

#### 4. 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 acquisition 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 two to 25 years for equipment.

A summary of capital asset balances for the year ending June 30, 2020 follows:

Depreciable capital assets:	
Buildings	\$31,595,010
Equipment	1,394,569
Site Improvements	<u>6,262,361</u>
Total depreciable capital assets	<u>39,251,940</u>
Less accumulated depreciation for:	
Buildings	(16,708,107)
Equipment	(848,162)
Site Improvements	<u>(3,785,046)</u>
Total accumulated depreciation	<u>(21,341,315)</u>
Total capital assets for intercollegiate athletics, net of accumulated depreciation	<u>\$17,910,625</u>

#### 5. ATHLETICS RESERVE

The athletics department used \$586,795 from athletics reserve from previous years' surplus. This is not reflected as current year revenues to avoid double counting revenue recognized in previous years.

## **RADFORD UNIVERSITY**

As of June 30, 2020

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### **UNIVERSITY OFFICIALS**

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