



UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2017

Auditor of Public Accounts
Martha S. Mavredes, CPA
www.apa.virginia.gov
(804) 225-3350



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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 22, 2018

The Honorable Ralph S. Northam
Governor of Virginia

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

Donna Price Henry
Chancellor, University of Virginia's College at Wise

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Chancellor of **the University of Virginia's College at Wise (UVA Wise)**, solely to assist the College in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the College is in compliance with National Collegiate Athletic Association (NCAA) Constitution 6.2.3.1.1, for the year ended June 30, 2017. College 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 College. 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 College'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 College's financial statements.
2. Intercollegiate Athletics Department management provided a current organizational chart. We also made certain inquiries of management regarding control consciousness, 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 College'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 organizations 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, 2017, as prepared by the College 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 10 percent of total revenues or total expenses, respectively, to budget estimates. There were no variances exceeding ten percent of budget estimates. We were unable to compare major revenue and expense accounts to prior period amounts as this is the first time the College is subject to the NCAA Agreed Upon Procedures following its transition to NCAA Division II.

Revenues

9. We obtained the amount of ticket sales revenue recorded in the Schedule for the reporting year. This amount was deemed to be 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 in agreement.
11. We compared amounts reported in the Schedule for direct institutional support to institutional budget transfer documentation and/or other corroborative supporting documentation, and noted them to be substantially in agreement.
12. We compared amounts reported in the Schedule for indirect institutional support to expense payments, cost allocation detail and other corroborative supporting documentation and noted them to be substantially in agreement.
13. We obtained the amount of revenue related to debt service, leases, and rental fees paid by the institution for or on behalf of athletics 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 UVA Wise Foundation, we noted no individual contribution that constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs. We reviewed contributions from the UVA Wise Foundation, which exceeded ten percent of all contributions and agreed them to supporting documentation. We noted a variance of \$31,812 between the amount reported by the Foundation and the amount in the Schedule. Following adjustment, the Schedule includes the most recent information from the UVA Wise Foundation.
15. We obtained the amount of in-kind revenue reported in the Schedule for the reporting year. This amount was deemed to be immaterial for detailed testing.

16. We obtained the amount of athletics-restricted endowment and investment income from the Schedule. This amount was deemed to be immaterial for detailed testing.

Expenses

17. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. Since the College 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. Out of the 24 students sampled, we found three instances where a student's information did not agree to the information reported in the NCAA Membership Financial Reporting System. The College subsequently corrected information for these students in the NCAA's Compliance Assistant software. We ensured that the total aid amount for each sport agreed to amounts reported as Financial Aid in the student accounting system with minor variances noted between sports.
18. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for home games during the reporting period. Game guarantee expenses were deemed to be immaterial for detailed testing.
19. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the College 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.
20. We obtained the amount of severance expense recorded in the Schedule. This amount was deemed to be immaterial for detailed testing.
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 College and NCAA policies and noted substantial agreement of those policies.
22. We selected a sample of disbursements for sports equipment, uniforms, and supplies and team travel. 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.

23. We obtained the amount of athletic facility debt service, leases, and rental fees expense recorded in the Schedule. These amounts were deemed to be immaterial for detailed testing.
24. We obtained an understanding of the College'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

25. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We agreed total annual maturities and total outstanding athletic related debt to supporting documentation.
26. We agreed total outstanding institutional debt to supporting information provided by the University of Virginia's Debt Management staff. We audit the University's outstanding debt obligations, which include the obligations outstanding for the College, each year during the University's annual financial statement audit.
27. We agreed the fair value of athletics dedicated endowments to supporting documentation provided by the College from its accounting information system.
28. We agreed the fair value of institutional endowments to supporting documentation provided by the College from its accounting information system.

Additional Procedures

29. We compared the sports sponsored, as reported in the NCAA Membership Financial Reporting System, to the squad lists of the institution. We noted agreement of the sports reported.
30. We obtained the institution's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports identified by the institution met the minimum requirements for number of contests and minimum number of participants as defined in NCAA Bylaw 20.10.3.3. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.
31. We obtained a listing of student-athletes receiving Pell Grant awards from the institution's student information system and agreed the total value of these Pell Grants to the amount reported in the NCAA Membership Financial Reporting System. We noted agreement of the amounts reported.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American College 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 the University of Virginia's College at Wise in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the College. This report relates only to the accounts and items specified above and does not extend to the financial statements of University of Virginia's College at Wise or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the Chancellor and the College 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

UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2017

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 8,500	\$ 600	\$ 710	\$ -	\$ -	\$ 9,810
Student fees	-	-	-	-	2,477,065	2,477,065
Direct institutional support	-	-	-	-	666,192	666,192
Indirect institutional support	-	-	-	-	511,000	511,000
Indirect institutional support - athletic facilities debt service, lease and rental fees	-	-	-	-	59,066	59,066
Contributions	359,527	72,743	67,412	170,618	333,719	1,004,020
In-Kind	1,600	-	-	-	47,967	49,567
Athletics restricted endowment and investments income	86,018	-	-	-	82,034	168,052
Total operating revenues	455,645	73,343	68,122	170,618	4,177,044	4,944,772
Operating expenses:						
Athletic student aid	568,696	130,742	126,107	467,312	-	1,292,857
Guarantees	-	1,500	-	-	-	1,500
Coaching salaries, benefits, and bonuses paid by the University and related entities	420,419	114,628	109,529	457,157	-	1,101,733
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	2,380	2,840	499	1,801	582,224	589,745
Severance payments	-	-	-	-	5,841	5,841
Recruiting	29,675	5,713	7,226	12,694	1,103	56,411
Team travel	70,776	36,191	72,088	221,532	2,773	403,360
Sports equipment, uniforms, and supplies	86,386	12,280	13,155	134,180	41,798	287,798
Game expenses	14,670	12,422	12,422	43,660	6,644	89,818
Fundraising, marketing and promotion	3,042	577	1,263	6,496	47,783	59,161
Sports camp expenses	3,815	9,143	-	3,217	-	16,174
Spirit groups	-	-	-	-	6,259	6,259
Athletic facility leases and rental fees	-	-	-	800	-	800
Athletic facility debt service	-	-	-	-	59,066	59,066
Direct overhead and administrative expenses	24,231	3,489	4,006	7,668	146,601	185,995
Indirect institutional support	-	-	-	-	511,000	511,000
Medical expenses and insurance	1,168	2,237	-	2,982	155,472	161,859
Memberships and dues	10,335	1,540	1,961	5,672	31,853	51,361
Student-Athlete Meals (non-travel)	6,923	7,484	3,440	4,596	-	22,442
Other operating expenses	6,587	4,589	4,183	15,489	17,811	48,660
Total operating expenses	1,249,102	345,375	355,877	1,385,256	1,616,229	4,951,840
Excess (deficiency) of revenues over (under) expenses	\$ (793,458)	\$ (272,031)	\$ (287,755)	\$ (1,214,638)	\$ 2,560,815	\$ (7,068)
Other Reporting Items:						
Total athletics-related debt						\$ 256,431
Total institutional debt						\$ 23,429,561
Value of athletics-dedicated endowments						\$ 2,489,470
Value of institutional endowments						\$ 61,609,095

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

**UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2017**

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 this schedule is to present a summary of operating revenues and expenses of the intercollegiate athletic programs of the Institute for the year ended June 30, 2017. The Schedule includes those intercollegiate athletic expenses made on behalf of the College's athletics programs by outside organizations not under the accounting control of the College. This schedule includes a selected portion of the College's activities and is not intended to and does not present either the financial position or changes in net assets for the year then ended. Revenues and expenses are directly identifiable with each category presented and 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 of Virginia's College at Wise Foundation, Inc., was established in 1991 for the purpose of aiding and supporting the University of Virginia's College at Wise. The Foundation contributed \$1,053,587 to the College during fiscal year 2017. These contributions include \$574,950 for intercollegiate athletic programs student financial assistance, \$429,070 in cash for operating expenses and \$49,567 in non-cash support.

3. CAPITAL ASSETS

The College's policies and procedures for acquiring, approving, depreciating, and disposing of athletic-related capital assets are the same for all of the College's capital assets.

Capital assets consisting of buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress (CIP) is capitalized at actual cost as expenses are incurred. All gifts of capital assets are recorded at fair market value as of the date of donation.

Equipment is capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is one year or more. Renovation costs are capitalized when expenses total more than \$100,000, the asset value significantly increases, and the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 50 years for buildings, ten to 30 years for infrastructure and land improvements, and five to 25 years for equipment.

A summary of capital asset balances for intercollegiate athletics at June 30, 2017, follows:

Athletic Capital Asset Footnote

Depreciable capital assets	
Buildings	\$ 39,748,428
Improvements other than Buildings	395,847
Equipment	<u>57,346</u>
Total Depreciable capital assets at cost	<u>40,201,621</u>
Less accumulated depreciation:	
Buildings	(7,586,514)
Improvements other than Buildings	(329,172)
Equipment	<u>(7,291)</u>
Total Accumulated depreciation	<u>(7,922,977)</u>
Total depreciable capital assets, net of accumulated depreciation	32,278,644
Non-depreciable capital assets	
Construction in progress	<u>-</u>
Total capital assets for intercollegiate athletics, net of accumulated depreciation	<u>\$ 32,278,644</u>

4. LONG TERM DEBT

Wise Athletics Long-Term Debt:

Description	Interest Rate	Maturity	Balance at June 30, 2017
Cash internal loan:			
Wise Football Stadium	4.75%	2022	\$ 256,431
Long-term debt maturities:			
	Fiscal Year	Principal	Interest
	2018	\$ 43,276	\$ 11,246
	2019	45,377	9,145
	2020	47,580	6,942
	2021	49,890	4,633
	2022	52,312	2,211
	2023	<u>17,997</u>	<u>178</u>
	Total	<u>\$ 256,431</u>	<u>\$ 34,356</u>

5. ADMINISTRATIVE COST RECOVERIES

The College recovers from auxiliary enterprises an amount to reimburse for the cost of institutional support and the operation and maintenance of plant. For the 2017 fiscal year, the athletic portion recovered from the auxiliary operations was \$511,000.

6. DEFICIT EXPLANATION

Gift Transfers from Foundation	\$281,875
Expenditures from gift projects	(285,938)
Deposit error corrected FY 18	(4,315)
Deposit error corrected FY 18	<u>1,310</u>
Total Deficit	<u>(\$ 7,068)</u>

The University of Virginia requires the College to have separate projects for any transfers from the Foundation to cover those expenses that cannot be processed directly from Foundation funds.

This deficit is a result of timing of revenues versus expenses.

A bookstore deposit in Fiscal Year 2017 was incorrectly posted to athletics. This mistake was found and has since been corrected in Fiscal Year 2018.

An error in basketball ticket sales was corrected in Fiscal Year 2018.

UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

As of June 30, 2017

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