



LONGWOOD UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2013**

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Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 13, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
And Review Commission

W. Taylor Reveley, IV
President, Longwood University

INDEPENDENT AUDITOR'S REPORT ON THE APPLICATION OF 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 3.2.4.16, for the year ended June 30, 2013. University management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs 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. 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

The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. 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 an organizational chart which we reviewed with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.

3. Intercollegiate Athletics Department management provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Intercollegiate Athletics Programs.

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 (Schedule) for the year ended June 30, 2013, 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. Management made one adjustment to the Schedule based upon our review and to ensure compliance with NCAA requirements. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the revenue and expense amounts reported in the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and review of actual amounts in comparison to budget estimates. We obtained and documented an understanding of significant variations.

Revenues

9. We reviewed a walkthrough over the Intercollegiate Athletics Department's ticketing policies and procedures. Revenue from ticket sales was deemed immaterial for detailed testing.
10. We compared student fees reported in the Schedule to amounts reported in the accounting records and amount from the University's comprehensive fee allocated to intercollegiate athletics. We found these amounts to be materially in agreement.
11. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. This amount was deemed to be immaterial for detail 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 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.

13. We agreed the listing of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations to total contributions in the Schedule. We found the amounts to be materially in agreement.
14. 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. 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 royalties, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.
16. We obtained an understanding of the University's methodology for recording revenues from sport camps and inspected any sports camp contracts between the University and persons conducting sport camps or clinics during the reporting period. 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. We selected individual student-athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.
18. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. This amount was 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 University during the reporting period. We selected and tested individuals 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. Intercollegiate Athletics Department management provided us with a listing of severance payments made during the reporting period. 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 University and NCAA policies and noted substantial agreement of those policies.

22. We obtained an understanding of the University's methodology for allocating indirect facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
23. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the Intercollegiate Athletics Programs. These disbursements were for the various activities listed within the Schedule. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression on 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/alh

LONGWOOD UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2013

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:					
Ticket sales	\$ 11,274	\$ 6,764	\$ -	\$ -	\$ 18,038
Student fees	1,087,148	853,612	2,954,549	2,977,835	7,873,144
Guarantees	323,000	71,500	2,000	-	396,500
Contributions	21,650	6,372	87,472	75,631	191,125
Indirect facilities and administrative support	-	-	-	26,400	26,400
NCAA conference distributions including all tournament revenues	-	-	-	182,333	182,333
Royalties, advertisements and sponsorships	-	-	-	154,002	154,002
Sports camp revenues	-	-	108,405	-	108,405
Other	-	-	45,641	64,581	110,222
Total operating revenues	1,443,072	938,248	3,198,067	3,480,782	9,060,169
Operating expenses:					
Athletic student aid	416,238	436,432	1,536,228	-	2,388,898
Guarantees	5,000	-	9,500	-	14,500
Coaching salaries, benefits, and bonuses paid by the University and related entities	435,346	292,399	1,081,475	-	1,809,220
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	-	-	-	1,531,784	1,531,784
Severance payments	140,000	-	-	-	140,000
Recruiting	33,444	26,415	23,531	-	83,390
Team travel	116,453	111,373	370,951	572	599,349
Equipment, uniforms, and supplies	22,772	28,896	130,484	10,830	192,982
Game expenses	45,440	23,916	61,306	908	131,570
Fundraising, marketing and promotions	3,842	750	4,455	108,588	117,635
Sports camp expenses	-	-	137,133	-	137,133
Direct facilities, maintenance and rental	-	-	3,923	1,227,606	1,231,529
Indirect facilities and administrative support	-	-	-	26,399	26,399
Medical expenses and medical insurance	383	1,650	430	94,417	96,880
Memberships and dues	-	480	3,260	23,249	26,989
Other	79,741	31,785	181,395	505,598	798,519
Total operating expenses	1,298,659	954,096	3,544,071	3,529,951	9,326,777
Excess (deficiency) of revenues over (under) expenses	\$ 144,413	\$ (15,848)	\$ (346,004)	\$ (49,169)	\$ (266,608)

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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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, 2013, 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, 2013. 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 net book values for fixed assets in the Athletic department at June 30, 2013, are as follows:

Buildings	\$ 2,162,049
Equipment	573,031
Infrastructure	6,908,929
Land	<u>1,042,794</u>
Total	<u>\$10,686,803</u>

2. AFFILIATED ORGANIZATION

The University received \$191,125 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, 2013 as follows:

Lacrosse/Field Hockey Complex	\$ 328,906
Soccer Fields	121,862
Baseball/Softball Field	185,875
Willet Hall Renovation	118,910
Athletic Offices	<u>297,963</u>
Total	<u>\$ 1,053,516</u>

4. LONG-TERM DEBT

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

	<u>Interest Rates</u>	<u>Maturity</u>	<u>Amount</u>
Lacrosse / Field Hockey, Series 2004A	3.00 - 5.00%	2024	\$2,135,000
Soccer Fields, Series 2005A	3.75 - 5.00%	2025	1,225,000
Lancer Gym - Willet Hall, Series 2005A	3.50 - 5.00%	2025	1,160,000
Baseball / Softball 2006A	3.00 - 5.00%	2027	950,000
Lacrosse / Field Hockey, Series 2007A	3.00 - 5.00%	2028	1,015,000
Baseball / Softball 2007A	3.00 - 5.00%	2028	1,045,000
Athletic Offices	3.00 - 5.00%	2018	<u>1,570,000</u>
Total			<u>\$9,100,000</u>

Long-term debt matures as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 660,000	\$ 405,381
2015	685,000	374,938
2016	710,000	343,156
2017	740,000	309,569
2018	780,000	274,494
2019-2023	3,205,000	872,619
2024-2028	<u>2,320,000</u>	<u>181,984</u>
Total	<u>\$ 9,100,000</u>	<u>\$ 2,762,141</u>

5. ADMINISTRATIVE COST RECOVERY

In fiscal year 2013 the amount of administrative cost recovery for Intercollegiate Athletics Programs, based on the State Council of Higher Education for Virginia approved recovery rate of 15.87 percent, was \$652,495. Of this total, \$417,358 is included in the coaches' salaries, as well as support staff and administrative salaries and \$235,137 is included in other operating expenses on the accompanying schedule.

LONGWOOD UNIVERSITY

Farmville, Virginia

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