



# VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

## INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2023

Auditor of Public Accounts  
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Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

April 17, 2024

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

Board of Visitors  
Virginia Polytechnic Institute and State University

Timothy D. Sands  
President, Virginia Polytechnic Institute and State University

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on the **Virginia Polytechnic Institute and State University's** (University) Statement of Revenues and Expenses of Intercollegiate Athletics Programs (Statement) for the year ended June 30, 2023. University management is responsible for the Statement and its compliance with National Collegiate Athletic Association (NCAA) requirements.

University management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the Statement is in compliance with NCAA Constitution 20.2.4.17.1, for the year ended June 30, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

### Agreed-Upon Procedures Related to the Statement of Revenues and Expenses of Intercollegiate Athletics Programs

Procedures described below were limited to certain items. For the purpose of this report, and as defined in the agreed-upon procedures, revenue and expense reporting categories require detailed testing if they are greater than or equal to four percent of total revenues or total expenses, as applicable. Based on this defined threshold, we have not performed detailed testing on the following items:

### Revenue Reporting Categories:

- Direct institutional support
- Indirect institutional support
- Guarantees
- In-kind
- NCAA distributions
- Conference distributions (non-media or bowl)
- Program, novelty, parking, and concession sales
- Royalties, licensing, advertisement and sponsorships
- Sports camp revenues
- Athletics-Restricted endowment and investment income
- Other operating revenue

### Expense Reporting Categories:

- Guarantees
- Severance payments
- Recruiting
- Sports equipment, uniforms and supplies
- Fundraising, marketing and promotions
- Sport camp expenses
- Spirit groups
- Athletic facilities leases and rental fees
- Athletic facilities debt service
- Indirect institutional support
- Medical expenses and insurance
- Memberships and dues
- Student-Athlete meals

For purposes of performing these procedures, no exceptions were reported for differences of less than one-tenth of one percent (0.10%) of revenues and expenses, as applicable. We have not investigated any differences and/or reconciling items below the reporting threshold while performing these agreed-upon procedures. We did not perform any procedures over reporting items with zero balances, which have been excluded from the Statement herein. The procedures we performed and associated 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 the Intercollegiate Athletics Department, 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 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 Statement.
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.

#### **Statement of Revenues and Expenses of Intercollegiate Athletics Programs**

7. Intercollegiate Athletics Department management provided to us the Statement of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2023, as prepared by the University and shown in this report. We recalculated the addition of the amounts in the Statement, traced the amounts on the Statement 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 Statement 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. Variances exceeding ten percent of prior period amounts or budget estimates are explained below:

| <u>Line Item</u>   | <u>Explanation</u>   |
|--|--|
| Media Rights   | The increase of \$4.18 million or 11.09 percent is attributable to an increase in Atlantic Coast Conference (ACC) media revenue funding.   |
| Coaching salaries, benefits, and bonuses paid by the University and related entities                     | An increase of \$2.6 million or 12.26 percent is due to several contract negotiations that increased certain coaches' salaries for program success, other contractual increases and market adjustments, and a five percent statewide increase effective for non-contractual assistant coaches. |
| Support Staff/Administrative salaries, benefits, and bonuses paid by the University and related entities | An increase of \$2.0 million or 10.86 percent is due to a five percent statewide increase and coaching contractual increases that included increased salary pools for support staff.   |

### **Revenues**

9. We reviewed two monthly ticket sales reconciliations performed for accuracy and proper review and approval. We performed a recalculation of ticket sales revenue for football and men's basketball by comparing the number of tickets sold, attendance, and sale price from the third-party ticketing system to total revenue recorded in the Statement. We determined the reconciliations reviewed to be accurate and properly approved. Revenue in the Statement was higher by \$3.1 million for football and \$1.2 million for basketball due to secondary ticket sales, handling and processing fees, and other adjusting entries.
10. We obtained documentation of the University's methodology for allocating student fees to intercollegiate athletics programs. We compared student fees reported in the Statement to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found a difference of \$1.1 million which we attribute to the methodology used to estimate student fee revenue compared to actual distributions of student fees to the department.
11. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by its 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 Virginia Tech Foundation (VTF), 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 VTF, which exceeded ten percent of all contributions, and agreed them to supporting documentation. After adjusting contributions revenue in the Statement by \$182,680, we determined contributions to be accurately reported in the Statement.

12. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to media rights. We gained an understanding of the relevant terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation with no reportable differences.
13. 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 inspected the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation with no reportable differences.

### **Expenses**

14. Intercollegiate Athletics Department management provided us a listing of student aid recipients during the reporting period. Since the University did not use the NCAA Compliance Assistant software to prepare athletic aid detail, we selected 60 individual student athletes across all sports and obtained the students' account detail from the University's student information system. We agreed each student's information to the information reported in the NCAA Membership Financial Reporting System. We identified two students with variances of \$400 and 51 students with variances of \$800 which are attributable to reporting estimated book fees and supplies for one or two terms, respectively. We also ensured that the total aid amount for each sport agreed to amounts reported as financial aid in the student accounting system and performed a check of selected students' information as reported in the NCAA Membership Financial Reporting System to ensure proper calculation of revenue distribution equivalencies and noted no reportable differences.
15. 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 five coaches, including football and men's and women's basketball coaches, and five support and administrative personnel 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 with no reportable differences.
16. 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.
17. We selected a sample of five disbursements each for team travel, game expenses, direct overhead and administrative expenses, 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 with no reportable differences.

18. We obtained a listing of debt service payments for athletics facilities for the reporting year. We selected a sample of three debt service payments included in the Statement, as well as the two highest payments, and agreed them to supporting documentation with no reportable differences.
19. 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 Statement with no reportable differences.

#### **Other Reporting Items**

20. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculated annual maturities reported in the notes to the Statement and agreed total annual maturities and total outstanding athletic-related debt to supporting documentation with no reportable differences.
21. We agreed total outstanding institutional debt to supporting debt schedules and the University's audited financial statements with no reportable differences.
22. We agreed the fair value of athletics-dedicated endowments to supporting documentation provided by the University with no reportable differences.
23. We agreed the fair value of institutional endowments to supporting documentation and the audited financial statements of the University's Foundation with no reportable differences.
24. We obtained a schedule of athletics-related capital expenditures made during the period. We selected a sample of five transactions to validate existence and accuracy of recording and recalculated totals with no reportable differences.

#### **Additional Procedures**

25. We compared the sports sponsored by the University, as reported in the NCAA Membership Financial Reporting System, to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from the ARMS software for the University. We noted agreement of the sports reported.
26. We compared total current year grants-in-aid revenue distribution equivalencies to total prior year reported equivalencies per the NCAA Membership Financial Report submission and noted variations exceeding four percent when compared to prior year. The 7.14 percent decrease in grants-in-aid revenue distribution equivalencies was the result of reporting errors in the prior fiscal year that overstated football athletic aid equivalencies coupled with a current year decrease in exhausted eligibility and medical equivalencies for football and track and field and cross-country.
27. We obtained the University'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 20.10.6.3. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.

28. 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.
29. We obtained a listing of student athletes receiving Pell grant awards from the University'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.
30. 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.

We were engaged by University management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. We were not engaged to and did not conduct an audit, examination, or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Statement 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 or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the University and its management 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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VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY  
STATEMENT OF REVENUES AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the year ended June 30, 2023

|  | Football      | Men's<br>Basketball | Women's<br>Basketball | Men's<br>Other Sports | Women's<br>Other Sports | Non-Program<br>Specific | Total            |
|--|---------------|---------------------|-----------------------|-----------------------|-------------------------|-------------------------|------------------|
| <b>Operating revenues:</b>   |               |                     |                       |                       |                         |                         |                  |
| Ticket sales   | \$ 15,031,058 | \$ 3,116,891        | \$ 323,009            | \$ 123,742            | \$ 77                   | \$ -                    | \$ 18,594,777    |
| Student fees   | -             | -                   | -                     | -                     | 2,689,151               | 10,896,789              | 13,585,940       |
| Direct institutional support   | -             | -                   | -                     | -                     | -                       | 600,000                 | 600,000          |
| Indirect institutional support   | -             | -                   | -                     | -                     | -                       | 1,548,987               | 1,548,987        |
| Guarantees   | 425,000       | 30,000              | -                     | 9,000                 | 1,500                   | -                       | 465,500          |
| Contributions  | 8,363,411     | 353,053             | 486,831               | 1,625,263             | 647,401                 | 15,851,775              | 27,327,734       |
| In-Kind  | 113,621       | 101,466             | 3,000                 | 44,506                | 9,489                   | 9,027                   | 281,109          |
| Media rights   | 31,549,857    | 9,289,839           | 581,616               | 182,000               | 264,500                 | -                       | 41,867,812       |
| NCAA distributions   | -             | 1,947,680           | -                     | -                     | -                       | 2,316,435               | 4,264,115        |
| Conference distributions (non-media and non-football bowl)   | 167,054       | 183,847             | -                     | -                     | -                       | -                       | 350,901          |
| Conference distributions of football bowl generated revenue  | 7,871,466     | -                   | -                     | -                     | -                       | -                       | 7,871,466        |
| Program, novelty, parking, and concession sales  | 1,449,418     | 91,687              | 43,546                | 56,507                | 17,233                  | 29,686                  | 1,688,077        |
| Royalties, licensing, advertisement and sponsorships   | 1,218,064     | 60,000              | 60,000                | 309,053               | 208,250                 | 1,444,173               | 3,299,540        |
| Sports camp revenues   | 101,648       | -                   | -                     | -                     | -                       | -                       | 101,648          |
| Athletics-Restricted endowment and investment income   | -             | -                   | -                     | -                     | -                       | 4,130,176               | 4,130,176        |
| Other operating revenue  | 2,695,573     | -                   | -                     | 2,744                 | 12,646                  | 833,334                 | 3,544,297        |
| Total operating revenues   | 68,986,170    | 15,174,463          | 1,498,002             | 2,352,815             | 3,850,247               | 37,660,382              | 129,522,079      |
| <b>Operating expenses:</b>   |               |                     |                       |                       |                         |                         |                  |
| Athletic student aid   | 4,209,834     | 794,810             | 716,399               | 3,431,188             | 5,100,637               | 1,777,872               | 16,030,740       |
| Guarantees   | 550,000       | 253,443             | 105,000               | 220,981               | 18,218                  | -                       | 1,147,642        |
| Coaching salaries, benefits, and bonuses paid by the university and related entities                         | 11,310,966    | 3,771,676           | 1,634,453             | 3,950,721             | 3,464,617               | -                       | 24,132,433       |
| Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities | 3,418,516     | 1,024,806           | 817,193               | 587,334               | 364,735                 | 14,623,697              | 20,836,281       |
| Severance payments   | 362,452       | -                   | -                     | 14,565                | 7,956                   | 77,548                  | 462,521          |
| Recruiting   | 1,385,264     | 363,775             | 127,318               | 273,590               | 253,975                 | -                       | 2,403,922        |
| Team travel  | 1,107,040     | 555,670             | 638,635               | 1,311,154             | 1,330,632               | 5                       | 4,943,136        |
| Sports equipment, uniforms, and supplies   | 786,892       | 79,185              | 89,634                | 827,546               | 723,771                 | 51,125                  | 2,558,153        |
| Game expenses  | 2,318,917     | 745,318             | 654,818               | 471,223               | 327,454                 | 650,718                 | 5,168,448        |
| Fundraising, marketing and promotion   | 254,664       | 78,061              | 33,267                | 67,076                | 52,656                  | 1,516,040               | 2,001,764        |
| Sport camp expenses  | 155,087       | -                   | -                     | -                     | -                       | -                       | 155,087          |
| Spirit groups  | -             | 12,156              | 44,348                | 12,500                | 12,500                  | 269,967                 | 351,471          |
| Athletic facilities leases and rental fees   | -             | -                   | 450                   | 125,682               | 126,240                 | -                       | 252,372          |
| Athletic facilities debt service   | -             | -                   | -                     | 589,649               | 589,649                 | 2,934,788               | 4,114,086        |
| Direct overhead and administrative expenses  | 1,267,779     | 1,171,326           | 135,404               | 1,525,436             | 323,184                 | 5,175,138               | 9,598,267        |
| Indirect cost paid to the institution by athletics   | 66,301        | -                   | -                     | -                     | -                       | 6,318,080               | 6,384,381        |
| Indirect institutional support   | -             | -                   | -                     | -                     | -                       | 1,548,987               | 1,548,987        |
| Medical expenses and insurance   | 298,575       | 29,910              | 30,026                | 277,621               | 297,558                 | 679,412                 | 1,613,102        |
| Memberships and dues   | 1,944         | 1,790               | 150                   | 23,086                | 22,640                  | 25,871                  | 75,481           |
| Student-Athlete meals (non-travel)   | 1,145,237     | 196,836             | 89,934                | 867,608               | 791,216                 | 162,058                 | 3,252,889        |
| Other operating expenses   | 3,805,822     | 380,936             | 177,026               | 577,021               | 310,798                 | 4,664,567               | 9,916,170        |
| Total operating expenses   | 32,445,290    | 9,459,698           | 5,294,055             | 15,153,981            | 14,118,436              | 40,475,873              | 116,947,333      |
| Excess (deficiency) of revenues over (under) expenses  | \$ 36,540,880 | \$ 5,714,765        | \$ (3,796,053)        | \$ (12,801,166)       | \$ (10,268,189)         | \$ (2,815,491)          | \$ 12,574,746    |
| <b>Other Reporting Items:</b>  |               |                     |                       |                       |                         |                         |                  |
| Total athletics-related debt   |               |                     |                       |                       |                         |                         | \$ 94,668,000    |
| Total institutional debt   |               |                     |                       |                       |                         |                         | \$ 795,600,000   |
| Value of athletics-dedicated endowments  |               |                     |                       |                       |                         |                         | \$ 72,843,420    |
| Value of institutional endowments  |               |                     |                       |                       |                         |                         | \$ 1,792,103,974 |
| Total athletics-related capital expenditures   |               |                     |                       |                       |                         |                         | \$ 5,254,000     |

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

**VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY**  
**NOTES TO STATEMENT OF REVENUES AND EXPENSES OF**  
**INTERCOLLEGIATE ATHLETICS PROGRAMS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**1. BASIS OF PRESENTATION**

The accompanying Statement of Revenues and Expenses of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Statement is to present a summary of revenues and expenses of the intercollegiate athletic programs of the University for the year ended June 30, 2023. The Statement 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 Statement presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in financial position, or cash flows 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 University received \$31,081,246 from the Virginia Tech Foundation, Inc. Approximately \$16,030,740 of these funds were used for grant-in-aid scholarships for student athletes. These amounts received are included in the accompanying Statement as follows: \$27,327,734 is included in the Contributions line item and \$3,753,512 is included in the Athletics-Restricted Endowment and Investment Income line item.

**3. LONG-TERM DEBT, LONG-TERM LEASES, AND SBITAs**

Externally-funded debt

The University, on behalf of the intercollegiate athletics program, has obtained debt financing for capital improvement projects as needed. These debts consist of Section 9(d) revenue bonds issued by the University and will be repaid by the program using operating revenues and private fundraising proceeds. Outstanding principal as of June 30, 2023 (in dollars):

| Project                                  | Maturity | Principal            |
|--|----------|----------------------|
| Indoor Practice Facility                 |          |                      |
| Series 2015B, 9(d) revenue bond          | 2035     | \$ 510,000           |
| Series 2021, 9(d) revenue bond           | 2036     | 40,000               |
| Lane Stadium - West Side Expansion       |          |                      |
| Series 2021, 9(d) refunding revenue bond | 2041     | 21,825,000           |
| Lane Stadium - South End Zone            |          |                      |
| Series 2021, 9(d) refunding revenue bond | 2041     | 7,055,000            |
| Hahn Hurst Basketball Practice Center    |          |                      |
| Series 2021, 9(d) refunding revenue bond | 2041     | 6,075,000            |
|  |          | <u>\$ 35,505,000</u> |

#### Internally-funded debt

The University has internally loaned the intercollegiate athletics program funds for capital improvement projects as needed. These debts will be repaid by the program using operating revenues and private fundraising proceeds. Outstanding principal as of June 30, 2023 (in dollars):

| Project                                 | Maturity | Principal            |
|---|----------|----------------------|
| Student Athletic Performance Center     | 2029     | \$ 2,839,000         |
| ACC Media Studio                        | 2031     | 8,397,000            |
| Creativity & Innovation District        | 2041     | 19,358,000           |
| Baseball Stadium and Rector Field House | 2045     | 26,258,000           |
|   |          | <u>\$ 56,852,000</u> |

#### Long-term lease payable

The University, on behalf of the intercollegiate athletics program, has entered into a long-term lease with the Town of Christiansburg for the use of the town's aquatic center ending in 2035. The lease will be paid by the program using operating revenues and private fundraising proceeds. As of June 30, 2023, the outstanding principal on this lease was \$1,343,000.

#### Subscription-based Information Technology Agreements (SBITAs)

The University, on behalf of the intercollegiate athletic program, has entered into multiple SBITAs to support the program's operations with various end dates. The SBITAs will be paid by the program using operating revenues and private fundraising proceeds. As of June 30, 2023, the outstanding principal for SBITAs was \$968,000.

A summary of future principal and interest commitments for fiscal years subsequent to June 30, 2023, is presented as follows (in dollars):

|           | <b>Principal</b>     | <b>Interest</b>      | <b>Total</b>          |
|-----------|----------------------|----------------------|-----------------------|
| 2024      | \$ 5,363,000         | \$ 1,646,000         | \$ 7,009,000          |
| 2025      | 5,670,000            | 1,575,000            | 7,245,000             |
| 2026      | 5,443,000            | 1,493,000            | 6,936,000             |
| 2027      | 5,443,000            | 1,414,000            | 6,857,000             |
| 2028      | 5,616,000            | 1,340,000            | 6,956,000             |
| 2029-2033 | 22,158,000           | 5,346,000            | 27,504,000            |
| 2034-2038 | 20,613,000           | 3,431,000            | 24,044,000            |
| 2039-2043 | 19,936,000           | 1,388,000            | 21,324,000            |
| 2044-2045 | 4,426,000            | 94,000               | 4,520,000             |
|           | <u>\$ 94,668,000</u> | <u>\$ 17,727,000</u> | <u>\$ 112,395,000</u> |

#### 4. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the University charges the Athletic Department an administrative fee. During the fiscal year, the Athletic Department paid \$6,384,381 to the University. This amount is included in the Indirect Cost Paid to the Institution by Athletics line item in the Football and Non-Program Specific categories.

#### 5. 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 acquisition value as of the donation date.

Intangible right-to-use assets consisting of the right-to-use buildings and Subscription-based Information Technology Arrangements (SBITAs) are stated at the net present value of future minimum lease payments at the commencement of the lease or subscription term. Intangible right-to-use assets are recognized when the net present value of future minimum lease or subscription payments is \$50,000 or greater.

Equipment is capitalized when the unit acquisition cost is \$2,000 or greater and the estimated useful life is one year or more. Software is capitalized when the acquisition and/or the development costs exceed \$100,000. Renovation costs are capitalized when expenses total more than \$100,000, the asset value significantly increases, or 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 40 to 60 years for buildings, ten to 50 years for infrastructure and land improvements, and three to 30 years for fixed and movable equipment. Right-to-use lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The beginning balance has been restated for the implementation of GASB Statement 96, *Subscription Based Information Technology Arrangements*. A summary of changes in capital assets follows for the year ending June 30, 2023 (*all dollars in thousands*):

|  | Beginning<br>Balance<br>(Restated) | Additions | Retirements | Ending<br>Balance |
|--|------------------------------------|-----------|-------------|-------------------|
| <b>Depreciable capital assets</b>  |                                    |           |             |                   |
| Buildings  | \$ 233,664                         | \$ 3,970  | \$ -        | \$ 237,634        |
| Moveable equipment   | 15,978                             | 702       | 533         | 16,147            |
| Software   | 313                                | -         | -           | 313               |
| Fixed equipment  | 14,712                             | 205       | -           | 14,917            |
| Infrastructure   | 22,896                             | 187       | -           | 23,080            |
| Right to use leases – buildings  | 1,976                              | -         | -           | 1,976             |
| Right to use assets – SBITAs   | 1,248                              | 299       | 110         | 1,437             |
| Total depreciable capital assets, at cost  | 290,787                            | 5,360     | 643         | 295,504           |
| <b>Less accumulated depreciation</b>   |                                    |           |             |                   |
| Buildings  | 73,268                             | 5,221     | -           | 78,489            |
| Moveable equipment   | 8,941                              | 1,380     | 510         | 9,811             |
| Software   | 304                                | 9         | -           | 313               |
| Fixed equipment  | 6,842                              | 670       | -           | 7,512             |
| Infrastructure   | 18,676                             | 648       | -           | 19,324            |
| Right to use leases – buildings  | 279                                | 139       | -           | 418               |
| Right to use assets – SBITAs   | 259                                | 343       | 110         | 492               |
| Total accumulated depreciation and amortization                                    | 108,569                            | 8,410     | 620         | 116,359           |
| Total depreciable capital assets, net of accumulated depreciation and amortization | 182,218                            | (3,050)   | 23          | 179,145           |
| <b>Non-depreciable capital assets</b>  |                                    |           |             |                   |
| Construction in progress   | 4,514                              | 3,830     | 3,936       | 4,408             |
| Total non-depreciable capital assets   | 4,514                              | 3,830     | 3,936       | 4,408             |
| Total capital assets, net of accumulated depreciation and amortization             | \$ 186,732                         | \$ 780    | \$ 3,959    | \$ 183,553        |