



OLD DOMINION UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2016

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

January 17, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia

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

John R. Broderick
President, Old Dominion 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 the **Old Dominion University**, solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Constitution 3.2.4.15, for the year ended June 30, 2016. University management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) 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 and generally accepted government auditing standards. 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 one-half of one percent of total revenues or total expenses, as applicable. The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with our audit of the University's financial statements. In addition, we identified and reviewed those controls unique to Intercollegiate Athletics Programs, which were not reviewed in connection with our audit of the University's financial statements.
2. Intercollegiate Athletics Department management provided a current organizational chart. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, protection of records and equipment, and controls regarding information systems with the information technology department.
3. Intercollegiate Athletics Department management provided us with their process for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the University's Intercollegiate Athletics Programs. We tested these procedures as noted below.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. Intercollegiate Athletics Department management prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. Intercollegiate Athletics Department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2016, 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. Certain adjustments to the Schedule were necessary to conform with NCAA

reporting guidance. We discussed the nature of work sheet adjustments 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. No variance exceeded one million dollars or ten percent of prior period amounts. Variances exceeding one million dollars or ten percent of budget estimates are explained below:

Line Item	Explanation
Ticket sales	Ticket sales increased more than anticipated resulting in actual ticket sales which were over ten percent greater than budgeted ticket sales. The increase in ticket sales was primarily driven by the success of the Men's Basketball team in the prior year and the Football team playing host to several prominent opponents.
Gifts and Contributions	Actual gifts and contributions received exceeded budgeted amounts by over one million dollars. The variance is attributable to payments made on behalf of intercollegiate athletics by the Old Dominion Athletics Foundation, as intercollegiate athletics does not budget for payments made on its behalf.

Revenues

9. We performed a recalculation of ticket sales revenue for Football and Men's Basketball by comparing the number of tickets sold and sale price to total revenue recorded in the Schedule. We determined the amounts reported in the Schedule to be substantially in agreement with our recalculation.
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 substantially in agreement.
11. We obtained the amount of game guarantee revenue reported in the Schedule. This item was deemed 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 Old Dominion Athletic Foundation, 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 Old Dominion Athletic Foundation, which exceeded ten percent of all contributions and agreed them to supporting documentation.

13. Intercollegiate Athletics Department management provided a list of in-kind contributions during the reporting period. We agreed in-kind contributions to a Schedule of in-kind donations or other supporting documentation to ensure reasonable valuation of the in-kind contribution in the Schedule.
14. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from broadcast, television, radio, internet, and e-commerce 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.
15. 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 gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
16. We compared the amount of revenue and a selection of transactions related to program sales, concessions, novelty sales, and parking to the institution's accounting records and supporting documentation.
17. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, licensing, advertisements, and sponsorships. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation. Following inquiry, an adjustment was made to record an additional \$375,000 in product allowances in accordance with NCAA guidelines.
18. We obtained the amount of sports camp revenue recorded in the Schedule. This amount was deemed to be immaterial for detailed testing.
19. We compared the amount of revenue related to other revenue to the amount reported in the Schedule. We reviewed classification of a sample of transactions and agreed those transactions to supporting documentation.

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 prepare athletic aid detail, we selected ten percent of individual student-athletes across all sports, and agreed amounts from the listing to their award letter. One award letter could not be provided as of the completion of field work, but was located and provided prior to issuance of the report. We agreed each student's information to ensure accurate reporting in the NCAA Membership Financial Reporting System. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.
21. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for home games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and agreed selected amounts to proper posting in the accounting records and supporting documentation.
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 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.
23. 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.
24. We selected a sample of disbursements for recruiting, team travel, sports equipment, uniforms, and supplies, game expenses, fundraising, marketing, and promotion, direct overhead and administration, medical expenses and insurance, memberships and dues, and other operating expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, reasonable to intercollegiate athletics, and properly recorded in the accounting records.

25. We obtained a listing of debt service payments for athletics facilities for the reporting year. We agreed significant facility payments included in the Schedule, including the two highest facility payments, to supporting documentation.
26. We obtained an understanding of the University's methodology for charging indirect cost to the athletic department. We evaluated indirect cost charges for reasonableness and noted proper reporting of these charges in the Schedule.

Additional Procedures

27. 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.
28. We obtained the institution's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports identified by the institution met the minimum requirements for number of contests and minimum number of participants as defined in NCAA Bylaw 20.9.6.3. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.

We were not engaged to and did not conduct an examination, 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 Old Dominion 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 Old Dominion 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/clj

OLD DOMINION UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2016

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 3,099,515	\$ 978,022	\$ 100,785	\$ 59,332	\$ -	\$ 4,237,654
Student fees	-	-	-	-	28,745,710	28,745,710
Guarantees	-	25,000	-	7,000	-	32,000
Contributions	2,401,777	832,852	222,433	396,492	1,756,098	5,609,652
In-Kind	158,272	24,853	20,126	15,600	22,592	241,443
Media rights	-	-	-	-	1,058,585	1,058,585
NCAA distributions	8,175	19,535	-	55,514	1,234,593	1,317,817
Conference distributions (non-media or bowl)	546,452	265,450	7,480	2,966	250,922	1,073,270
Program, novelty, parking, and concession sales	206,622	-	-	462	31,371	238,455
Royalties, licensing, advertisement and sponsorships	304,580	121,750	72,750	48,800	919,786	1,467,666
Sports camp revenues	5,788	3,145	820	11,378	-	21,131
Other operating revenue	26,057	30,360	6,360	9,170	566,605	638,552
Total operating revenues	6,757,238	2,300,967	430,754	606,714	34,586,262	44,681,935
Operating expenses:						
Athletic student aid	3,270,869	492,382	568,458	4,623,257	23,260	8,978,226
Guarantees	-	391,642	39,853	22,685	-	454,180
Coaching salaries, benefits, and bonuses paid by the University and related entities	2,142,850	1,139,385	610,753	3,041,113	-	6,934,101
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	348,212	214,009	159,789	96,731	5,391,880	6,210,621
Recruiting	317,391	158,825	88,166	198,341	2,691	765,414
Team travel	1,022,742	660,434	407,288	1,594,736	-	3,685,200
Sports equipment, uniforms, and supplies	876,978	178,898	181,871	552,205	376,894	2,166,846
Game expenses	722,462	356,630	193,718	161,067	-	1,433,877
Fundraising, marketing and promotion	71,940	34,456	18,046	17,316	580,468	722,226
Spirit groups	-	-	-	-	83,949	83,949
Athletic facility debt service	-	-	-	-	4,191,662	4,191,662
Direct overhead and administrative expenses	650,483	89	426	212,900	2,092,354	2,956,252
Indirect cost paid to the institution by athletics	-	-	-	-	2,642,662	2,642,662
Medical expenses and insurance	26,222	6,231	8,740	35,855	300,632	377,680
Memberships and dues	3,465	3,705	800	9,991	389,977	407,938
Student-athlete meals (non-travel)	25,340	-	-	-	-	25,340
Other operating expenses	365,768	43,431	32,420	213,257	1,307,173	1,962,049
Total operating expenses	9,844,722	3,680,117	2,310,328	10,779,454	17,383,602	43,998,223
Excess (deficiency) of revenues over (under) expenses	\$ (3,087,484)	\$ (1,379,150)	\$ (1,879,574)	\$ (10,172,740)	\$ 17,202,660	\$ 683,712
Other Reporting Items:						
Total athletics-related debt						\$ 55,875,664
Total institutional debt						\$ 328,746,745
Value of athletics-dedicated endowments						\$ 27,710,057
Value of institutional endowments						\$ 34,369,941
Total athletics-related capital expenditures						\$ 128,183

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

OLD DOMINION UNIVERSITY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2016

1. 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, 2016. The Schedule 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 Schedule 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 \$5,511,534 from the Old Dominion Athletic Foundation and the Old Dominion University Educational Foundation. Approximately \$3,111,658 of these funds was for scholarships for student athletes. The amount received is included in the accompanying schedule in Contributions revenue.

3. CAPITAL ASSETS

The Intercollegiate Athletics Department follows the same policies and procedures as the University for acquiring, approving, disposing, and depreciating capital assets. Capital assets generally are defined by the University as assets with an estimated useful life in excess of one year and an initial cost of \$5,000 or more, except for computer software which is capitalized at a cost of \$100,000. Capital assets are recorded at actual cost or estimated historical cost if purchased or constructed, except for intra-entity purchases which are recorded at the transferor's carrying value. Donated capital assets are recorded at the acquisition value at the date of donation, with the exception of intra-entity capital donations which are recorded at the carrying value of the asset on the transferor's books as of the date of transfer. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. Infrastructure assets are included in the financial statements and are depreciated. The University records depreciation on property, plant and equipment, including capital leases and excluding land and construction in progress, computed over the

estimated useful lives of the assets based on the straight-line method. The general range of estimated useful lives is five to 50 years for buildings and two to 25 years for equipment. The general range of estimated useful lives is two to 30 years for other improvements and infrastructure. Capital assets at the time of disposal revert to the Commonwealth of Virginia for disposition.

A summary of the various capital asset categories relating to Athletics for the year ending June 30, 2016 is presented as follows:

	<u>Ending Balance</u>
Nondepreciable Capital Assets:	
Land	\$ 539,000
Construction in progress	<u>5,574,436</u>
Total Nondepreciable Capital Assets	<u>6,113,436</u>
Depreciable Capital Assets:	
Buildings	73,707,838
Equipment	4,336,773
Improvements other than building	<u>2,555,584</u>
Total Depreciable Capital Assets	<u>80,600,195</u>
Less Accumulated Depreciation For:	
Buildings	20,254,343
Equipment	3,096,141
Improvements other than building	<u>926,822</u>
Total Accumulated Depreciation	<u>24,277,306</u>
Depreciable Capital Assets, net	<u>56,322,889</u>
Total Capital Assets, net	<u>\$62,436,325</u>

4. LONG-TERM DEBT

Long-term debt relating to Athletics:

Description	Interest Rates	Maturity	As of June 30, 2016
Revenue Bonds:			
Recreation, Series 2007B	4.25%	2018	\$ 413,781
Recreation, Series 2007B	4.00% - 4.50%	2020	6,653,172
Recreation, Series 2010B	5.00%	2021	630,000
Recreation, Series 2010B	5.00%	2022	4,775,000
Recreation, Series 2014B	3.00% - 5.00%	2017	369,574
Recreation, Series 2014B	3.00% - 5.00%	2020	262,150
Recreation, Series 2014B	3.00% - 5.00%	2017	<u>535,416</u>
Total Convocation Center			13,639,093
Percent used by Athletics			<u>20%</u>
Portion of Convocation Center			<u>2,727,819</u>
Athletic Fac. Exp., Series 2006A	3.00% - 5.00%	2027	260,000
Indoor Tennis Court, Series 2006A	3.00% - 5.00%	2027	55,000
Athletic Fac. Exp., Series 2007A	4.50% - 5.00%	2028	115,000
Indoor Tennis Court, Series 2007A	4.50% - 5.00%	2028	60,000
Powhatan Sports Ctr, Series 2007A	4.50% - 5.00%	2028	1,560,000
Powhatan Sports Ctr, Series 2009A	3.00% - 5.00%	2021	5,175,000
Powhatan Sports Ctr, Series 2010A	3.75% - 5.50%	2031	755,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2025	1,220,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2025	1,645,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2025	755,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2025	1,280,000
Athletic Fac. Exp., Series 2014B	3.00% - 5.00%	2026	415,000
Athletic Fac. Exp., Series 2014B	3.00% - 5.00%	2024	360,000
Athletic Fac. Exp., Series 2014B	3.00% - 5.00%	2026	225,000
Indoor Tennis Court, Series 2014B	3.00% - 5.00%	2026	325,000
Indoor Tennis Court, Series 2014B	3.00% - 5.00%	2024	100,000
Indoor Tennis Court, Series 2014B	3.00% - 5.00%	2026	120,000
Powhatan Sports Ctr, Series 2014A	2.00% - 5.00%	2035	2,915,000
Powhatan Sports Ctr, Series 2014B	3.00% - 5.00%	2026	2,900,000
Powhatan Sports Ctr, Series 2015B	3.00% - 5.00%	2029	<u>15,620,000</u>
Total			<u>35,860,000</u>
Total Revenue Bonds			<u>\$38,587,819</u>
Capital Leases			\$ 22,336
Unamortized Bond Premium			\$ 5,040,599

Long-term debt matures as follows:

	Principal	Interest
2017	\$ 2,655,916	\$ 1,745,693
2018	2,792,973	1,624,800
2019	2,822,841	1,496,804
2020	2,949,425	1,363,068
2021	3,064,000	1,219,599
2022-2026	15,140,000	3,869,746
2027-2031	8,325,000	816,700
2032-2036	<u>860,000</u>	<u>88,500</u>
Total	<u>\$ 38,610,155</u>	<u>\$12,224,910</u>

5. ALLOCATION OF ATHLETIC OVERHEAD COSTS

The University recovers a percentage of each auxiliary enterprise's expenses, including athletics, to cover overhead costs such as utilities and custodial services. In the fiscal year ended June 30, 2016, the overhead rate charged to athletics and other auxiliary enterprise was 12.03 percent. This amount is reported as Indirect Cost Paid to the Institution by Athletics Expense.

OLD DOMINION UNIVERSITY

As of June 30, 2016

BOARD OF VISITORS

Ronald C. Ripley, Rector

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Fred J. Whyte	

UNIVERSITY OFFICIALS

John R. Broderick, President

David F. Harnage, Chief Operating Officer

Deborah Swiecinski, Associate Vice President for Financial Services

Camden W. Selig, Director of Intercollegiate Athletics Programs