

LONGWOOD UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2010**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

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Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
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January 11, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
And Review Commission

Brigadier General Patrick Finnegan
President, Longwood University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of the **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) Bylaw 3.2.4.16.1, for the year ended June 30, 2010. The University's 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 audits 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 audits of the University's financial statements.

2. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it 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. The University 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. We obtained any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations and inquired as to the corrective action taken in response to such comments. We noted that the affiliated organizations had been audited by independent public accountants and we were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2010, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. 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 balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and review of actual amounts expended in comparison to budgeted amounts.

Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
10. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We reviewed these reconciliations for selected games and found such reconciliations to be accurate and agreed to amounts recorded as ticket revenue for those games.

11. 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 materially in agreement.
12. Intercollegiate Athletics Program management provided us with settlement reports and game guarantee agreements for away games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and verified the mathematical accuracy and coding of the settlement reports and game guarantee agreements. We found that revenue was properly computed and deposited promptly and intact.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by the Intercollegiate Athletics Department 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. We vouched each individual contribution received directly by the University for its Intercollegiate Athletics Programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Longwood University Foundation, Inc., an affiliated organization, and the Longwood University Lancer Club, a booster organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we selected and tested receipts of such revenue and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
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. This amount was deemed to be immaterial for detailed testing.
16. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. We selected and tested receipts of such revenue and, for those items; we inspected the agreements and verified the mathematical accuracy and coding of the payment amounts. We found that revenue was properly computed and deposited promptly and intact.
17. We obtained an understanding of the University's methodology for recording revenues from sport camps. We found that the University received and recorded revenues consistent with the terms of the contracts. However, we found insignificant instances where the Athletics Department employees did not consistently follow University policies and procedures for promptly transmitting collections to the University's Cashiering Staff for deposit.
18. Based on receipts as listed in the accounting records, we selected and tested collections by the Intercollegiate Athletics Program. We compared and agreed the selected operating receipts to adequate supporting documentation and properly recorded in the accounting records.

Expenses

19. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.

20. 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.
21. 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.
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 and compared amounts paid for one pay period or a bonus payment 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 University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
24. 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.
25. 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 supplies, equipment, travel, and other general expenses. 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 made 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

JS/alh

SCHEDULE

LONGWOOD UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the fiscal year ended June 30, 2010

	Men's <u>Basketball</u>	Women's <u>Basketball</u>	<u>Other Sports</u>	Non-Program <u>Specific</u>	<u>Totals</u>
Operating revenues:					
Ticket sales	\$ 6,359	\$ 2,910	\$ -	\$ -	\$ 9,269
Student fees	815,439	757,110	2,742,680	1,599,806	5,915,035
Away game sales and guarantees	340,000	54,000	12,500	-	406,500
Contributions	9,563	1,095	135,466	53,312	199,436
Indirect facilities and administrative support	-	-	-	10,423	10,423
NCAA revenue	-	-	-	88,163	88,163
Royalties, advertisements, and sponsorships	-	-	-	114,822	114,822
Sports camps	-	-	147,432	-	147,432
Other	-	-	2,088	-	2,088
	<u>1,171,361</u>	<u>815,115</u>	<u>3,040,166</u>	<u>1,866,526</u>	<u>6,893,168</u>
Total operating revenues					
Operating expenses:					
Athletic student aid	277,431	291,565	1,352,066	-	1,921,062
Game guarantees	13,576	-	2,000	-	15,576
Coaching salaries and benefits	369,556	280,285	1,021,700	2,284	1,673,825
Staff and administrative salaries and benefits	-	-	-	1,282,700	1,282,700
Recruiting	35,001	26,131	24,117	-	85,249
Team travel	95,949	89,052	319,639	8,709	513,349
Equipment, uniforms, and supplies	22,628	32,628	136,283	6,127	197,666
Game expenses	46,596	17,562	58,680	12,873	135,711
Fund raising, marketing, and promotion	3,854	740	165	13,937	18,696
Sports camp expenses	-	-	91,093	2,532	93,625
Direct facilities, maintenance, and rental	-	-	1,096	23,215	24,311
Indirect facilities and administrative support	-	-	-	10,423	10,423
Medical expenses and medical insurance	-	-	-	140,424	140,424
Memberships and dues	188	881	3,629	6,482	11,180
Other	84,246	104,379	122,010	345,354	655,989
	<u>949,025</u>	<u>843,223</u>	<u>3,132,478</u>	<u>1,855,060</u>	<u>6,779,786</u>
Total operating expenses					
Excess (deficiency) of revenues over (under) expenses	<u>\$ 222,336</u>	<u>\$ (28,108)</u>	<u>\$ (92,312)</u>	<u>\$ 11,466</u>	<u>\$ 113,382</u>

*Other sports include baseball, cross country, field hockey, golf, lacrosse, soccer, softball, and tennis.

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

LONGWOOD UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
AS OF JUNE 30, 2010

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, 2010, and includes both those intercollegiate athletics revenues and expenses 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, 2010. 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 include land, buildings and other improvements, equipment and infrastructure assets such as sidewalks, steam tunnels, and electrical and computer network cabling systems. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Expenses for major capital assets and improvements are capitalized (construction-in-progress) as projects are constructed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to auxiliary activities.

The University's policy over the acquisition of fixed assets is as follows. The faculty or staff identifies a need for the purchase, the requesting faculty or staff prepares the purchase order, and sends it to Material Management. Material Management processes the purchase order in accordance with acceptable guidelines. If the purchase order is approved it is released and the product or service is ordered. The product or service is then delivered to the requestor and that person or Central Stores completes the receiving report. Accounts payable will then issue the payment.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to Intercollegiate Athletics Programs. Useful lives by asset categories are listed below:

Buildings	50 years
Other improvements and infrastructure	20 years
Equipment	5-15 years

When an item is no longer needed by a department and no other department is known to have a need for it, the following procedure is applicable. A surplus form is completed by the initiating department and all copies are submitted to the Property Control clerk with the item to be surplus. Items will not be surplus by the material management department unless the proper form is completed. Additional procedures outlining the policy for disposal in cases of theft, loss and transfer to another department are similar to the procedure outlined above, as they require the completion of the surplus form.

The net book values for fixed assets in the Intercollegiate Athletics Department at June 30, 2010 are as follows:

Buildings	\$ 1,565,398
Construction-in-progress	1,654,141
Equipment	170,731
Infrastructure	8,260,149
Land	<u>1,042,794</u>
Total	<u>\$12,693,213</u>

2. AFFILIATED ORGANIZATION

The University received \$199,436 from the Longwood University Foundation, Inc. to be used for Intercollegiate Athletics Programs. These contributions are included in the accompanying schedule.

3. LONG-TERM INDEBTEDNESS

The Intercollegiate Athletics Programs transferred funds to the general University accounts to pay principal and interest payments on the long-term debt for the year ended June 30, 2010 as follows.

Lacrosse/Field Hockey Complex	\$ 337,474
Soccer Fields	132,094
Baseball/Softball Field	188,422
Willett Hall Renovation	122,524
Athletic Offices	<u>302,662</u>
Total	<u>\$1,083,176</u>

4. LONG-TERM DEBT

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

	<u>Interest Rates</u>	<u>Maturity</u>	<u>Balance as of June 30,2010</u>
Lacrosse / Field Hockey, Series 2004A	3.00-5.00%	2024	\$ 2,590,000
Soccer Fields, Series 2005A	3.75-5.00%	2025	1,435,000
Lancer Gym – Willet Hall, Series 2005A	3.50-5.00%	2025	1,345,000
Baseball / Softball 2006A	3.00-5.00%	2027	1,080,000
Lacrosse / Field Hockey, Series 2007A	3.00-5.00%	2028	1,140,000
Baseball / Softball, Series 2007A	3.00-5.00%	2028	1,175,000
Athletic Offices	3.00-5.00%	2018	<u>2,225,000</u>
Total			<u>\$10,990,000</u>

Long-term debt matures as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 565,000	\$ 501,256
2012	595,000	475,856
2013	630,000	446,031
2014	660,000	415,356
2015	685,000	384,913
2016-2020	3,640,000	1,413,231
2021-2025	3,255,000	609,944
2026-2028	<u>960,000</u>	<u>48,248</u>
Total	<u>\$10,990,000</u>	<u>\$4,294,835</u>

5. ADMINISTRATIVE COST RECOVERY

In fiscal year 2010 the amount of administrative cost recovery for Intercollegiate Athletics Programs, based on the State Council of Higher Education for Virginia approved recovery rate of 15.45%, was \$492,432. Of this total, \$314,975 is included in the coaches' salaries, as well as support staff and administrative salaries and \$177,457 is included in other operating expenses on the accompanying schedule.

LONGWOOD UNIVERSITY

BOARD OF VISITORS

As of June 30, 2010

Helen P. Warriner-Burke, Rector

Otis L. Brown, Vice Rector

M. Jane Brooke, Secretary

John B. Adams, Jr.
Marjorie M. Connelly
John W. Daniel, II
George W. Dawson
Robert E. Frye, Sr.

Rita B. Hughes
Chin Han Kim
Ripon W. LaRoche, II
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UNIVERSITY OFFICIALS

As of January 11, 2011

Brigadier General Patrick Finnegan
President

Kathy S. Worster
Vice President for Administration and Finance

Troy Austin
Director of Intercollegiate Athletics Programs

William Irish
Associate Athletics Director for Internal Operations