

**LONGWOOD UNIVERSITY**

**INTERCOLLEGIATE ATHLETICS PROGRAMS  
FOR THE YEAR ENDED  
JUNE 30, 2005**

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**Auditor of  
Public Accounts**

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**COMMONWEALTH OF VIRGINIA**

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UNIVERSITY OFFICIALS



# Commonwealth of Virginia

Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

January 9, 2006

The Honorable Mark R. Warner  
Governor of Virginia

The Honorable Lacey E. Putney  
Chairman, Joint Legislative Audit  
and Review Commission

Dr. Patricia P. Cormier, 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 6.2.3.1, for the year ended June 30, 2005. 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 Intercollegiate Athletics Department management 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. The Intercollegiate Athletics Department 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. There were no additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations.

#### Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2005, 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 worksheet 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 Department 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, Incorporated, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. Based on analytical review, we deemed revenues from tournaments, conference distributions and NCAA distributions to be reasonable. We deemed these revenues to be immaterial for further testing.
15. Intercollegiate Athletics Department management indicated that there were no agreements related to participation in revenues from broadcast, television, radio, an Internet rights.
16. Based on analytical review, we deemed revenues from royalties, advertisements and sponsorships to be reasonable. We deemed these revenues to be immaterial for further testing.
17. We obtained an understanding of the University's methodology for recording revenues from sport camps. Based on analytical testing, we deemed revenues from sports camps reasonable and immaterial for further testing.
18. Based on receipts as listed in the accounting records, we reviewed the receipting and recording procedures for other revenues collected by the intercollegiate athletics program and found these procedures to be adequate.

#### 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. Based on analytical review, we deemed game expenses for home games reasonable. We deemed these expenses to be immaterial for further 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. Intercollegiate Athletics Department management did not make any severance payments for the reporting period.
24. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
25. We obtained an understanding of the University's methodology for allocating administrative overhead support expenses and the ensured the amounts reported on the Schedule agreed to amounts recorded in the accounting records.
26. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the intercollegiate athletics program. 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

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LONGWOOD UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the Year Ended June 30, 2005

	Men's Basketball	Women's Basketball	Other* Sports	Non-Program Specific	Total
Operating revenues:					
Student fees	\$ 303,998	\$ 262,002	\$ 955,870	\$ 1,748,131	\$ 3,270,001
Contributions (Note 2)	13,290	24,906	67,785	46,344	152,325
Endowment and Investment Income (Note 3)	-	1,988	7,795	5,052	14,835
Ticket sales	3,516	1,922	-	-	5,438
Guarantees	63,000	5,500	11,550	-	80,050
NCAA/Conference distributions	-	-	-	1,397	1,397
Royalties, advertisements, and sponsorships	-	-	7,895	80,000	87,895
Sports camp revenues	2,700	6,740	106,460	-	115,900
Other	-	-	-	3,656	3,656
<b>Total operating revenues</b>	<b>386,504</b>	<b>303,058</b>	<b>1,157,355</b>	<b>1,884,580</b>	<b>3,731,497</b>
Operating expenses:					
Athletics student aid	152,153	140,155	676,238	1,104	969,650
Guarantees	-	7,250	-	-	7,250
Coaching salaries, benefits, and bonuses paid by Longwood and related entities	196,102	185,242	693,274	116,591	1,191,209
Support staff/administrative salaries, benefits, and bonuses paid by Longwood and related entities	-	-	-	583,092	583,092
Recruiting	17,416	7,636	18,128	-	43,180
Team travel	103,807	60,483	271,452	-	435,742
Equipment, uniforms, and supplies	30,816	21,040	97,466	-	149,322
Game expenses	16,748	9,702	18,877	-	45,327
Fund raising, marketing, and promotion	7,957	7,693	11,616	1,019	28,285
Direct facilities, maintenance, and rental	-	-	48,396	34,444	82,840
Spirit groups	1,914	1,914	-	-	3,828
Medical expenses and medical insurance	-	-	-	65,501	65,501
Memberships and dues	-	-	3,850	22,350	26,200
Sports camp expenses	1,827	6,927	66,982	-	75,736
Other operating expenses	6,418	21,853	24,500	216,906	269,677
<b>Total operating expenses</b>	<b>535,158</b>	<b>469,895</b>	<b>1,930,779</b>	<b>1,041,007</b>	<b>3,976,839</b>
Excess/(deficiency) of revenues over/(under) expenses before transfers	\$ (148,654)	\$ (166,837)	\$ (773,424)	\$ 843,573	\$ (245,342)

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

The accompanying notes 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, 2005

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 athletic programs of the University for the year ended June 30, 2005. The Schedule includes those intercollegiate athletic revenues and expenses made on behalf of the University's athletic 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 net assets, changes in net assets, or changes in cash flow 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."

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. 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 residences and other auxiliary activities.

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

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

The net book values for fixed assets in the Athletic department at June 30, 2005, are as follows:

Buildings	\$2,551,276
Construction-in-progress	780,821
Equipment	14,509
Land	<u>390,900</u>
Total	<u>\$3,737,506</u>

2. AFFILIATED ORGANIZATION

The University received \$152,325 from the Longwood University Foundation, Inc., to be used for the Athletic program. These contributions are included in the accompanying schedule.

3. ENDOWMENTS

The University does not have endowments for the use of the Intercollegiate Athletics Department. Endowments received are shown on the books of the Longwood University Foundation, Inc., which is a related party. At June 30, 2005, there was \$14,835 in endowment investment income for fiscal year 2005. This is given to the University by the Foundation and is shown on the accompanying schedule.

4. ADMINISTRATIVE COST RECOVERY

In fiscal year 2005, the amount of recovery cost for Athletics based on the State Council of Higher Education for Virginia (SCHEV) approved recovery rate was \$165,487 and is included in the "other operating expenses" line item on the accompanying schedule. The SCHEV cost recovery rate applicable for 2005 was 12.09 percent.

LONGWOOD UNIVERSITY

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