



# NORFOLK STATE UNIVERSITY

## INTERCOLLEGIATE ATHLETICS PROGRAMS

### FOR THE YEAR ENDED

JUNE 30, 2015

Auditor of Public Accounts

Martha S. Mavredes, CPA

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Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

December 18, 2015

The Honorable Terence R. McAuliffe  
Governor of Virginia

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

Eddie N. Moore, Jr.  
President and Chief Executive Office, Norfolk State 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 Norfolk State 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, 2015. 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 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 procedures 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, 2015, 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. We noted no differences between the amounts in the Intercollegiate Athletics Department's 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 compared each major revenue and expense account over ten percent of total revenues or total expenses, respectively, to prior period amounts and budget estimates. Variations exceeding one million dollars or ten percent of the prior year amounts or budget estimates are explained below:

<b>Line Item</b>	<b>Explanation</b>
Student fees	The University experienced a decline in student enrollment. The University budgeted revenues from student fees at \$8.3 million, based on a 5,380 full-time equivalent students for fall 2014; however, actual enrollment was 4,879 full-time equivalent students, a difference of 501 students (ten percent). This resulted in actual revenues of approximately \$7.6 million, an eight percent difference from the amount budgeted.
Direct institutional support	This revenue source was not applicable in the previous year resulting in a 100 percent increase for the current year. On July 1, 2014, the University extinguished its existing debt obligation for the Dick Price Stadium athletic facility (Series 1996). The University used funds that were held in reserves by the State Treasury to extinguish the remaining debt of \$2.6 million for the stadium. Additionally, during fiscal year 2015, the University used \$3.3 million in prior year reserve funds to pay expenses in excess of revenue generated by current period intercollegiate athletic activities.
Athletic Facilities Debt Service, Leases and Rental Fees	This expense category did not exist under NCAA guidance applicable in the prior year resulting in a 100 percent increase for the current year. On July 1, 2014, the University defeased its remaining debt obligation of \$2.6 million for the Dick Price Stadium athletic facility (Series 1996). NSU reported the related payment as athletic facilities debt service.

## Revenues

9. Intercollegiate Athletics Department management provided us with tickets sold during the reporting period along with a list of complimentary tickets and unsold tickets. We compared tickets sold by sport to the revenue reported in the Schedule and related attendance figures, and noted them to be substantially in agreement.
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 compared amounts reported in the Schedule for direct institutional support to institutional budget transfer documentation and/or other corroborative supporting documentation, and noted them to be substantially in agreement.
12. Intercollegiate Athletics Department management provided us with a listing of 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 agreed selected amounts to proper posting in the accounting records and supporting documentation.
13. 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 Athletic Foundation of Norfolk State University, 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 Foundation and agreed them to supporting documentation.
14. 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.
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 related to program sales, concessions, novelty sales, and parking to the amount reported in the Schedule. This amount was deemed to be immaterial for detailed testing.
17. We compared the amount of revenue related to other revenue to the amount reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

### **Expenses**

18. 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 10 percent of individual student-athletes across all sports and agreed amounts from the listing to their award letter. 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.
19. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing.
20. 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.
21. We discussed the Intercollegiate Athletics Department's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies. We compared these policies to existing University and NCAA policies and noted substantial agreement of those policies.
22. We selected a sample of disbursements for equipment, uniforms, and supplies, game expenses, fundraising, marketing, and promotion, direct overhead and administration, medical expenses and medical 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.

23. We obtained a listing of debt service payments and rental fees for athletics facilities for the reporting year. We agreed the amounts reported for debt service in the Schedule to documentation supporting the extinguishment of the University's debt service. Rental fees were deemed to be immaterial for detailed testing.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we conducted an audit of any financial statements of the Intercollegiate Athletics Department of Norfolk State 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 Norfolk State University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the University and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

EMS/alh

**NORFOLK STATE UNIVERSITY**  
**SCHEDULE OF REVENUES AND EXPENSES OF**  
**INTERCOLLEGIATE ATHLETICS PROGRAMS**  
**For the year ended June 30, 2015**

	<u>Football</u>	<u>Men's Basketball</u>	<u>Women's Basketball</u>	<u>Other Sports</u>	<u>Non-Program Specific</u>	<u>Total</u>
<b><u>Operating revenues:</u></b>						
Ticket sales	\$ 168,402	\$ 71,950	\$ 11,765	\$ -	\$ -	\$ 252,117
Student fees	-	-	-	-	7,630,897	7,630,897
Direct institutional support	2,626,834	1,940	7,466	-	3,220,126	5,856,366
Guarantees	365,000	402,000	20,000	-	-	787,000
Contributions	16,814	17,268	1,863	83,640	139,321	258,906
In-Kind	100,780	13,193	21,093	41,982	53,722	230,770
NCAA distributions	-	-	-	-	1,011,527	1,011,527
Program, novelty, parking, and concession sales	10,820	4,208	-	-	-	15,028
Other operating revenue	10,995	927	5,881	22,770	(1,397)	39,176
<b>Total operating revenues</b>	<b>3,299,645</b>	<b>511,486</b>	<b>68,068</b>	<b>148,392</b>	<b>12,054,196</b>	<b>16,081,787</b>
<b><u>Operating expenses:</u></b>						
Athletic student aid	1,330,582	404,160	415,857	1,694,289	325,468	4,170,356
Guarantees	-	14,000	-	-	-	14,000
Coaching salaries, benefits, and bonuses paid by the University and related entities	925,043	440,987	345,429	762,673	20,802	2,494,934
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	45,327	(729)	9,856	(1,853)	1,757,573	1,810,174
Recruiting	7,860	58,484	27,491	5,238	-	99,073
Team travel	311,481	169,577	127,138	373,802	21,070	1,003,068
Sports equipment, uniforms, and supplies	148,935	44,599	28,959	129,073	17,431	368,997
Game expenses	75,714	58,737	41,562	26,360	-	202,373
Fundraising, marketing and promotion	1,513	2,862	474	2,748	135,470	143,067
Athletic facility leases and rental fees	-	-	-	6,070	1,500	7,570
Athletic facility debt service	2,623,444	-	-	-	-	2,623,444
Direct overhead and administrative expenses	2,050	-	-	10,850	572,783	585,683
Indirect cost paid to the institution by athletics	257,690	59,833	177,150	212,912	567,883	1,275,468
Medical expenses and insurance	-	-	-	300	222,367	222,667
Memberships and dues	250	250	725	2,590	43,981	47,796
Other operating expenses	64,802	4,770	29,697	70,815	843,033	1,013,117
<b>Total operating expenses</b>	<b>5,794,691</b>	<b>1,257,530</b>	<b>1,204,338</b>	<b>3,295,867</b>	<b>4,529,361</b>	<b>16,081,787</b>
Excess (deficiency) of revenues over (under) expenses	\$ (2,495,046)	\$ (746,044)	\$ (1,136,270)	\$ (3,147,475)	\$ 7,524,835	\$ -
<b><u>Other Reporting Items:</u></b>						
Total institutional debt						\$ 41,531,251

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

**NORFOLK STATE UNIVERSITY**  
**NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF**  
**INTERCOLLEGIATE ATHLETICS PROGRAMS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs have 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, 2015, using the accounting methods used by the University to monitor intercollegiate athletics program activities. The Schedule includes both those revenues and expenses for athletic programs under the direct accounting control of the University and those on behalf of the University's athletics programs by outside organizations not under the University's accounting control. 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 changes in 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. CONTRIBUTIONS

The University received \$258,907 in on-behalf payments from the Athletics Foundation of Norfolk State University which was used for academic enhancement. The amounts received are included in the accompanying Schedule as contribution revenue. The University Athletics Program received \$230,770 in in-kind contributions from the Mid-Eastern Athletic Conference and athletic contracts.

3. DIRECT INSTITUTIONAL SUPPORT

The University provided direct funds to support the operations of intercollegiate athletics totaling \$5,856,366 during the fiscal year ending June 30, 2015. This amount includes \$2,623,444 from debt reserve funds to extinguish existing debt obligation, \$37,036 from Federal Work-Study, and \$3,195,886 from auxiliary reserves to supplement the athletic program from excess revenues collected in prior years.

4. CAPITAL ASSETS

Capital assets include land, buildings and other improvements, library materials, equipment and infrastructure assets such as parking lots, sidewalks, campus lighting, and computer network cabling systems. The University generally defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost and donated capital assets are recorded at the estimated fair market value at the date of contribution. 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.

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	30 years
Other improvements and infrastructure	8-25 years
Equipment	2-20 years

A summary of capital asset balances for the year ending June 30, 2015, not reflected on the Schedule are as follows:

Depreciable capital assets:	
Buildings	\$34,389,373
Equipment	1,368,426
Infrastructure	103,500
Other improvements	<u>34,840</u>
Total depreciable capital assets	<u>35,896,139</u>
Less accumulated depreciation for:	
Buildings	22,727,394
Equipment	427,695
Infrastructure	47,438
Other improvements	<u>30,388</u>
Total accumulated depreciation	<u>23,232,915</u>
Total capital assets, net	<u>\$12,663,244</u>

#### 5. LONG TERM DEBT

The University issued General Revenue Pledged Bonds in 1996 for \$9,260,000 to finance construction of a sports stadium. On July 1, 2014, the University defeased the debt obligation for the Dick Price Stadium athletic facility (Series 1996). The University used the funds that were held in reserves by the State to extinguish the remaining debt of \$2.6 million for the stadium. The bond was called on July 1, 2014.

#### 6. ADMINISTRATIVE COST RECOVERIES

The University recovers from each auxiliary enterprise an amount to reimburse for the cost of administrative support. For the year ended June 30, 2015, the University recovered \$1,275,468 of auxiliary support costs from the intercollegiate athletics department as reflected in the Schedule.

## NORFOLK STATE UNIVERSITY

Norfolk, Virginia

### BOARD OF VISITORS

(as of June 30, 2015)

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\*Vice Rector through May 8, 2015

### UNIVERSITY OFFICIALS

(December 18, 2015)

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