

RADFORD UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2012**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

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Martha S. Mavredes, CPA
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Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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January 7, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon III
Chairman, Joint Legislative Audit
And Review Commission

Penelope W. Kyle
President, Radford 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 Radford 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 3.2.4.16, for the year ended June 30, 2012. University 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. Intercollegiate Athletics Department management provided an organizational chart which we reviewed 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. 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 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. 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 (Schedule) for the year ended June 30, 2012, 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 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 revenue and expense amounts reported in the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and review of actual amounts in comparison to budget estimates. We obtained and documented an understanding of significant variations.

Revenues

9. 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. This amount was deemed to be immaterial for detailed testing.

10. We compared student fees reported in the Schedule to amounts reported in the accounting records and amounts from the university's comprehensive fee allocated to intercollegiate athletics. We found these amounts to be materially in agreement.
11. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. This amount was deemed to be immaterial for detailed testing.
12. Intercollegiate Athletics Department management provided us with a summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations. This amount was deemed immaterial for detailed testing.
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. This amount was deemed to be immaterial for detailed testing.
14. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.

Expenses

15. Intercollegiate Athletics Department management provided us with 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.
16. 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.
17. 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.
18. Intercollegiate Athletics Department management provided us with a listing of severance payments made during the reporting period. This amount was deemed to be immaterial for detailed testing.
19. 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.

20. 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.
21. 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 the various activities listed within the Schedule. 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 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 Radford 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 Radford 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/clj

SCHEDULE

RADFORD UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the Year Ended June 30, 2012

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:					
Ticket sales	\$ 33,970	\$ 9,505	\$ 5,127	\$ -	\$ 48,602
Student activity fees	-	-	-	10,296,248	10,296,248
Game guarantees	285,000	35,000	26,804	-	346,804
Contributions (Note 2)	10,717	5,503	199,099	31,376	246,695
NCAA revenue sharing	-	-	-	484,786	484,786
Program sales and concessions	-	-	-	61,420	61,420
Royalties, advertising, and sponsorships	-	-	-	225,777	225,777
Other	301	48	-	22,705	23,054
Total operating revenues	<u>329,988</u>	<u>50,056</u>	<u>231,030</u>	<u>11,122,312</u>	<u>11,733,386</u>
Operating expenses:					
Athletics student aid	334,732	343,418	1,950,798	36,081	2,665,029
Game guarantees	5,500	3,500	5,000	-	14,000
Coaching salaries, benefits and bonuses paid by the University	505,669	314,248	1,378,193	-	2,198,110
Coaches' compensation paid by third parties	-	-	10,765	-	10,765
Support and administrative staff salaries, bonuses and fringe benefits paid by the University	65,390	48,322	6,232	1,956,699	2,076,643
Severance	339	23	-	1,689	2,051
Travel - recruiting	55,498	41,335	77,709	-	174,542
Travel - team	88,438	80,266	620,885	-	789,589
Equipment, uniforms and supplies	49,810	44,069	264,218	288,365	646,462
Game expenses	39,328	22,839	77,500	8,439	148,106
Fund raising, marketing and promotion	26,411	2,394	9,203	63,081	101,089
Direct facilities maintenance and rentals	-	-	84,524	560,446	644,970
Spirit groups	19,500	19,499	-	-	38,999
Medical expenses and insurance	-	-	-	268,570	268,570
Memberships and dues	4,531	2,869	8,700	18,443	34,543
Other	46,194	25,307	58,482	906,210	1,036,193
Total operating expenses	<u>1,241,340</u>	<u>948,089</u>	<u>4,552,209</u>	<u>4,108,023</u>	<u>10,849,661</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (911,352)</u>	<u>\$ (898,033)</u>	<u>\$ (4,321,179)</u>	<u>\$ 7,014,289</u>	<u>\$ 883,725</u>

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

RADFORD UNIVERSITY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. The Schedule includes those intercollegiate athletics 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 financial position, changes in fund balances, 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 Intercollegiate Athletics Programs received \$246,695 from the Radford University Foundation, Inc., which is included in the accompanying schedule.

3. LONG-TERM DEBT

Installment Purchase Obligations

The Intercollegiate Athletic Program has future obligations under an installment purchase agreement initiated in January 2009. The book value of the asset purchased under the installment purchase agreement is \$114,460 and the repayment term is ten years at an interest rate of 2.087 percent. A summary of the future obligations under these agreements as of June 30, 2012 is as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2013	\$11,094	\$1,669
June 30, 2014	11,327	1,436
June 30, 2015	11,565	1,199
June 30, 2016	11,807	956
June 30, 2017	12,055	708
Thereafter	<u>24,875</u>	<u>653</u>
Total	<u>\$82,723</u>	<u>\$ 6,621</u>

4. UNIVERSITY ADMINISTRATIVE FEE

As with all auxiliary enterprises, the University charges the Athletic Department an administrative fee. Athletics paid \$728,206 during the fiscal year that is recorded as Non-Program Specific.

5. CAPITAL ASSETS

Capital assets consisting of buildings and equipment are stated at the estimated historical cost or actual cost where determinable. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or greater and an estimated useful life of greater than one year. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction in progress expenses are capitalized at actual cost as the major capital assets and improvements are constructed. 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 useful life of the assets. The useful life is 40 years for buildings, 20 years for site improvements, and 2 to 25 years for equipment.

A summary of capital asset balances for the year ending June 30, 2012 follows:

Depreciable capital assets:	
Buildings	\$30,298,944
Equipment	618,389
Site improvements	<u>4,404,402</u>
Total depreciable capital assets	<u>35,321,735</u>
Less accumulated depreciation for:	
Buildings	(10,808,947)
Equipment	(370,628)
Site improvements	<u>(2,316,725)</u>
Total accumulated depreciation	<u>(13,496,300)</u>
Total capital assets for intercollegiate athletics, net of accumulated depreciation	<u>\$21,825,435</u>

RADFORD UNIVERSITY
Radford, Virginia

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