

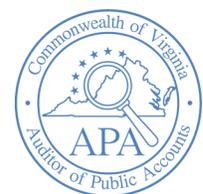


# RADFORD UNIVERSITY

## INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2014

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

January 9, 2014

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John C. Watkins  
Chairman, Joint Legislative Audit  
And Review Commission

Penelope W. Kyle  
President, Radford University

## INDEPENDENT AUDITOR'S REPORT ON THE 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, 2014. 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 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 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, 2014, 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. We obtained the amount of revenue related to ticket sales from the Schedule. Revenue from ticket sales 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 a listing of 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. Except for contributions received from the Radford University Foundation, Inc., an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs. The amount reported in the Schedule materially agrees to the amounts provided by the affiliated and outside organization for or on behalf of the University.
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. We agreed the amounts reported in the Schedule to the accounting system and found these amounts to be in agreement. This amount was deemed to be immaterial for detailed testing.
14. From the Schedule, we obtained the amount of revenue related to participation in royalty, advertisement, and sponsorship agreements. This amount was deemed to be immaterial for detailed testing.

## **Expenses**

15. 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.
16. 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.
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 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.

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 noted substantial agreement of the University's policies with those of the NCAA.
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

EMS/clj

RADFORD UNIVERSITY  
 SCHEDULE OF REVENUES AND EXPENSES OF  
 INTERCOLLEGIATE ATHLETICS PROGRAMS

For the Year Ended June 30, 2014

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:					
Ticket sales	\$ 37,101	\$ 9,357	\$ 313	\$ -	\$ 46,771
Student fees	-	-	-	11,237,598	11,237,598
Guarantees	195,000	33,000	9,890	-	237,890
Contributions	144,328	22,281	254,692	33,648	454,949
NCAA/Conference distributions including all tournament revenues	-	-	-	527,476	527,476
Program sales and concessions	-	-	-	93,081	93,081
Royalties, advertising, and sponsorships	-	-	-	369,155	369,155
Other	1,005	700	-	132,239	133,944
Total operating revenues	<u>377,434</u>	<u>65,338</u>	<u>264,895</u>	<u>12,393,197</u>	<u>13,100,864</u>
Operating expenses:					
Athletics student aid	390,399	341,562	2,146,360	-	2,878,321
Guarantees	7,500	4,000	3,500	-	15,000
Coaching salaries, benefits and bonuses paid by the University and related entities	502,867	312,970	1,459,708	-	2,275,545
Support staff and administrative salaries, benefits and bonuses paid by the University and related entities	56,482	53,940	19,728	2,287,669	2,417,819
Severance payments	2,050	10,834	3,448	4,313	20,645
Recruiting	38,319	44,398	87,289	-	170,006
Team travel	143,481	80,034	649,356	-	872,871
Equipment, uniforms and supplies	65,451	56,790	329,757	383,331	835,329
Game expenses	48,734	26,997	82,881	13,400	172,012
Fundraising, marketing and promotion	8,731	5,532	28,814	72,576	115,653
Direct facilities, maintenance and rentals	105,056		110,855	718,325	934,236
Spirit groups	34,220	34,221	-	-	68,441
Medical expenses and insurance	-	-	-	284,500	284,500
Memberships and dues	4,744	3,199	10,420	24,161	42,524
Other	25,985	29,250	56,198	1,209,369	1,320,802
Total operating expenses	<u>1,434,019</u>	<u>1,003,727</u>	<u>4,988,314</u>	<u>4,997,644</u>	<u>12,423,704</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (1,056,585)</u>	<u>\$ (938,389)</u>	<u>\$ (4,723,419)</u>	<u>\$ 7,395,553</u>	<u>\$ 677,160</u>

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

**RADFORD UNIVERSITY**  
**NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF**  
**INTERCOLLEGIATE ATHLETICS PROGRAMS**  
**AS OF JUNE 30, 2014**

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 current revenues and expenses related to the University's Intercollegiate Athletics Programs for the year ended June 30, 2014. 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 University's activities, it is not intended to and does not present the financial position, changes in financial position 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."

2. AFFILIATED ORGANIZATIONS

The schedule includes transactions of the Radford University Foundation, Inc. made on behalf of the athletics program. The Intercollegiate Athletics Program received \$454,949 from the Radford University Foundation, Inc., which are included in revenue as "contributions" in the accompanying schedule.

3. LONG-TERM DEBT

Installment Purchase Obligations

The Intercollegiate Athletics Program has future obligations under 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 10 years at an interest rate of 2.087%. A summary of the future obligations under these agreements as of June 30, 2014, is as follows:

Fiscal Year Ending	<u>Principal</u>	<u>Interest</u>
June 30, 2015	\$11,565	\$1,199
June 30, 2016	11,807	956
June 30, 2017	12,055	708
June 30, 2018	12,308	455
June 30, 2019	<u>12,567</u>	<u>197</u>
Total	<u>\$60,302</u>	<u>\$3,515</u>

4. UNIVERSITY ADMINISTRATIVE FEE

The Commonwealth's Appropriation Act requires that educational and general programs in institutions of higher education recover the full indirect cost of auxiliary enterprise programs. Therefore the University assesses each auxiliary unit an "administrative fee" to recover institutional educational and general administrative costs. In fiscal year 2014, this charge to the athletics' departments amounted to \$1,002,220 and is included in the "other" expense line 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 estimated useful life of the asset with no residual value. 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, 2014 follows:

Depreciable capital assets:	
Buildings	\$30,298,944
Equipment	910,317
Site Improvements	<u>5,183,714</u>
Total depreciable capital assets	<u>36,392,975</u>
Less Accumulated Depreciation:	
Buildings	(12,189,715)
Equipment	(494,608)
Site Improvements	<u>(2,618,226)</u>
Total depreciable capital assets	<u>(15,302,549)</u>
Total capital assets for intercollegiate athletics, net of accumulated depreciation	<u>\$21,090,426</u>

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Radford, Virginia

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