



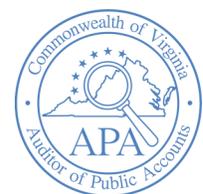
UNIVERSITY OF VIRGINIA

INTERCOLLEGIATE ATHLETICS PROGRAMS

FOR THE YEAR ENDED

JUNE 30, 2015

Auditor of Public Accounts
Martha S. Mavredes, CPA
www.apa.virginia.gov
(804) 225-3350



-TABLE OF CONTENTS-

	<u>Pages</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1-6
SCHEDULE	
Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	7
Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	8-10
UNIVERSITY OFFICIALS	11



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 21, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

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

Teresa A. Sullivan
President, University of Virginia

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of the **University of Virginia**, 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 discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate. Certain line items in the Schedule were adjusted to conform with NCAA guidance. After adjustment, we noted no material differences between the amounts in the Intercollegiate Athletics Department’s accounts in the accounting records and the adjusted Schedule.

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 prior period amounts or budget estimates are explained below:

Line Item	Explanation
Ticket Sales	The University experienced a decline in ticket sales during fiscal year 2015, as the University hosted one less home football game than in prior year.
Media Rights	The University experienced an increase in Media Rights due to a change in the NCAA reporting guidance. This revenue was included in the NCAA Conference Distributions line in the previous fiscal year.
Coaching salaries, benefits, and bonuses paid by the University and related entities	Compensation increased due to automatic three percent increases, increases in bonuses, and increases in fringe benefit rates in fiscal year 2015.
Athletic facility debt service	This expense category did not exist under NCAA guidance applicable in the prior year, resulting in a 100 percent increase for the current year. These expenses were previously included in the Direct facilities, maintenance and rental line in the prior year Schedule.

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 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. Intercollegiate Athletics Department management provided us with a listing of 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 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 Virginia Athletics Foundation, 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.
13. Intercollegiate Athletics Department management provided a list of in-kind contributions during the reporting period. 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 broadcast, television, radio, internet, and e-commerce rights. We gained an understanding of the relevant terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
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 institution's accounting records and supporting documentation.
17. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, licensing, advertisements, and sponsorships. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
18. We obtained an understanding of the University's methodology for recording revenues from sport camps. This amount was deemed immaterial for detailed testing.

19. We obtained and inspected endowment agreements to gain an understanding of the relevant terms and conditions of the agreement. We compared the use and classification of endowment and investment income to the corresponding endowment agreement.
20. We compared the amount of revenue related to other revenue to the amount reported in the Schedule. We reviewed classification of selected transactions and agreed those transactions to supporting documentation.

Expenses

21. 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 ten 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.
22. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for home 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.
23. 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.
24. 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.
25. 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.

26. We selected a sample of disbursements for sports equipment, uniforms, and supplies, game expenses, fundraising, marketing, and promotion, direct overhead and administration, medical expenses and medical insurance, 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.
27. We obtained a listing of debt service payments, lease payments, and rental fees for athletics facilities for the reporting year. We selected a sample of facility payments, including the two highest facility payments, and agreed them to supporting documentation.

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 the University of Virginia 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 the University of Virginia 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

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

	Football	Men's Basketball	Women's Basketball	Baseball	Track & Field	Other Sports	Non-Program Specific	Total
Operating revenues:								
Ticket sales	\$ 7,728,466	\$ 3,671,036	\$ 167,256	\$ 210,704	\$ -	\$ 213,154	\$ 374,817	\$ 12,365,433
Student fees	-	-	-	-	-	-	13,555,431	13,555,431
Guarantees	300,000	-	-	-	-	14,000	-	314,000
Contributions	3,590,993	2,400,387	648,955	841,442	1,381,710	9,250,322	9,213,257	27,327,066
In-Kind	2,000	310,185	-	-	9,603	42,323	70,956	435,067
Media rights	12,309,762	3,077,441	-	-	-	-	-	15,387,203
NCAA distributions	-	95,923	1,000	88,725	25,901	268,657	2,035,347	2,515,553
Conference distributions (Non Media or Bowl)	140,241	212,856	198,651	96,912	110,228	282,295	7,511,183	8,552,366
Program, novelty, parking, and concession sales	479,541	239,491	32,211	395,921	8,119	99,852	179,833	1,434,968
Royalties, licensing, advertisement and sponsorships	-	-	-	227,000	-	218,500	4,677,943	5,123,443
Sports camp revenues	-	-	-	-	-	-	143,487	143,487
Athletics restricted endowment and investments income	-	-	-	-	-	-	2,049,202	2,049,202
Other operating revenue	-	-	-	-	-	-	2,053,557	2,053,557
Total operating revenues	<u>24,551,003</u>	<u>10,007,319</u>	<u>1,048,073</u>	<u>1,860,704</u>	<u>1,535,561</u>	<u>10,389,103</u>	<u>41,865,013</u>	<u>91,256,776</u>
Operating expenses:								
Athletic student aid	3,597,013	694,251	667,854	518,727	1,295,992	7,993,348	446,433	15,213,618
Guarantees	1,300,000	415,000	129,000	28,000	5,000	16,500	-	1,893,500
Coaching salaries, benefits, and bonuses paid by the University and related entities	7,304,072	3,875,106	1,506,266	1,435,488	492,803	5,679,331	-	20,293,066
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	1,195,155	671,993	336,817	80,836	-	255,668	11,889,947	14,430,416
Severance payments	-	-	-	-	-	112,837	144,292	257,129
Recruiting	370,105	236,727	118,966	54,991	59,886	406,923	-	1,247,598
Team travel	1,287,573	666,960	527,909	587,262	405,529	2,296,952	4,815	5,777,000
Sports equipment, uniforms, and supplies	687,325	63,680	18,240	99,810	111,581	628,914	510,390	2,119,940
Game expenses	1,642,871	748,639	501,452	345,753	156,508	478,231	87,596	3,961,050
Fundraising, marketing and promotion	202,287	63,540	50,308	26,550	5,195	57,708	325,650	731,238
Sports camp expenses	-	-	-	-	-	-	148,481	148,481
Spirit groups	26,561	686	287	-	-	-	244,434	271,968
Athletic facility leases and rental fees	-	-	-	-	10,000	395,073	738,660	1,143,733
Athletic facility debt service	-	-	-	-	-	-	11,032,340	11,032,340
Direct overhead and administrative expenses	7,163	38,193	3,456	68,000	6,156	37,832	3,890,257	4,051,057
Indirect cost paid to the institution by athletics	-	-	-	-	-	-	2,523,000	2,523,000
Medical expenses and insurance	119,273	37,316	17,176	25,173	34,303	189,290	981,081	1,403,612
Memberships and dues	2,808	311	878	329	745	11,604	49,985	66,660
Other operating expenses	428,273	233,878	69,922	211,778	19,112	452,115	3,365,444	4,780,522
Total operating expenses	<u>18,170,479</u>	<u>7,746,280</u>	<u>3,948,531</u>	<u>3,482,697</u>	<u>2,602,810</u>	<u>19,012,326</u>	<u>36,382,805</u>	<u>91,345,928</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ 6,380,524</u>	<u>\$ 2,261,039</u>	<u>\$ (2,900,458)</u>	<u>\$ (1,621,993)</u>	<u>\$ (1,067,249)</u>	<u>\$ (8,623,223)</u>	<u>\$ 5,482,208</u>	<u>\$ (89,152)</u>
Other Reporting Items:								
Total athletics-related debt								\$ 75,803,527
Total institutional debt								\$ 1,423,520,490
Value of athletics-dedicated endowments								\$ 50,420,468
Value of institutional endowments								\$ 4,374,764,052

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

UNIVERSITY OF VIRGINIA
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 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, 2015. The Schedule includes those intercollegiate athletics revenues and expenses made on behalf of the University's athletics 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 financial position, or cash flows for the year presented. 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 University received \$21,257,892 in operating contributions from the Virginia Athletics Foundation (VAF). This amount includes approximately \$15,024,535 for scholarships for student-athletes, and \$5,798,290 for operating expenses. It also includes approximately \$435,066 paid directly by VAF for the benefit of University Athletics, for fundraising and operating expenses, as well as for improvements and equipment. In addition, the University received \$6,504,240 from VAF, which the University is currently using to fund debt service for Scott Stadium, the John Paul Jones Arena, and the George Welsh Indoor Practice Facility. These amounts are included in the accompanying schedule in Contributions revenue.

In addition to operating contributions included in the accompanying schedule, the University received approximately \$1,489,956 from VAF used to fund additional capital expenses.

3. CAPITAL ASSETS

Capital assets are stated at cost at date of acquisition, or fair market value at date of donation in the case of gifts. The University capitalizes construction costs that have a value or cost in excess of \$250,000 at the date of acquisition. Renovations in excess of \$250,000 are capitalized if they significantly extend the useful life of the existing asset. The Academic Division (which includes Athletics) capitalizes moveable equipment at a value or cost of \$5,000 and an expected useful life of two or more years. Maintenance or renovation

expenses of \$250,000 or more are capitalized only to the extent that such expenses prolong the life of the asset or otherwise enhance its capacity to render service.

Depreciation of buildings, improvements other than buildings, and infrastructure is provided on a straight-line basis over the estimated useful lives ranging from ten to 50 years. Depreciation of equipment and capitalized software is provided on a straight-line basis over estimated useful lives ranging from one to 20 years.

Capital assets related to construction are capitalized as expenses are incurred. Projects that have not been completed as of the date of the statement of net assets are classified as Construction in Process. Construction period interest cost in excess of earnings associated with the debt proceeds is capitalized as a component of the capital asset. Capital assets, such as roads, parking lots, sidewalks, and other non-building structures and improvements are capitalized as infrastructure and depreciated accordingly.

A summary of the various capital asset categories relating to Athletics for the year ending June 30, 2015, is presented below. The summary presents total amounts for capital assets that are used some or all of the time for intercollegiate athletic activities, including the John Paul Jones Arena. While all basketball games will be played in the Arena, it hosts many non-Athletic events.

	Balance at June 30, 2015
Depreciable Capital Assets:	
Buildings	\$ 228,574,699
Infrastructure	11,654,309
Equipment	3,959,126
Improvements other than buildings	<u>107,864,571</u>
Total depreciable capital assets	\$ 352,052,705
Less Accumulated Depreciation for:	
Buildings	71,910,974
Infrastructure	3,526,292
Equipment	2,868,219
Improvements other than buildings	<u>75,887,082</u>
Total accumulated depreciation	154,192,567
Total Depreciable Capital Assets, Net	<u>\$ 197,860,138</u>

4. LONG-TERM DEBT

Long-term debt relating to Athletics:

Description	Interest Rates	Maturity	Balance at June 30, 2015
Revenue Bonds:			
Scott Stadium	4.75%	2024	\$ 29,873,956
John Paul Jones Arena	4.75%	2025	42,983,181
Fieldhouse Indoor Practice Facility	4.75%	2017	2,946,390
Total Long-term Debt			<u>\$ 75,803,527</u>

Long-term debt maturities:

Fiscal Year	Principal	Interest
2016	\$ 6,873,887	\$ 3,296,921
2017	8,864,082	2,996,267
2018	6,861,246	2,681,138
2019	7,191,545	2,350,839
2020	7,537,746	2,004,637
2021-2025	38,475,020	4,325,376
Total	<u>\$75,803,526</u>	<u>\$ 17,655,178</u>

5. ALLOCATION OF ATHLETIC OVERHEAD COSTS

The University recovers overhead from all auxiliary enterprises, including Athletics, by applying an indirect cost rate to the auxiliary enterprise's expense base. This rate is calculated every two years. The rate in effect for the year ended June 30, 2015, was 5.3 percent and generated \$2,523,000 in overhead recoveries from Athletics.

UNIVERSITY OF VIRGINIA

Charlottesville, Virginia

BOARD OF VISITORS

William H. Goodwin, Jr.
Rector

Frank M. Conner, III
Vice Rector

Frank B. Atkinson	John A. Griffin
Mark T. Bowles	Victoria D. Harker
L.D. Britt, M.D., MPH	Bobbie G. Kilberg
Whittington W. Clement	John G. Macfarlane, III
Helen E. Dragas	Tammy S. Murphy
Kevin J. Fay	James V. Reyes
Barbara J. Fried	Jeffrey C. Walker

Frank E. Genovese

Joe Garofalo (Faculty Member)
Daniel T. Judge (Student Member)

Susan G. Harris
Secretary to the Board of Visitors

ADMINISTRATIVE OFFICERS

Teresa A. Sullivan
President

Pat Hogan
Executive Vice President and Chief Operating Officer

Craig K. Littlepage
Director of Intercollegiate Athletic Programs

Steven A. Pritzker
Associate Athletic Director for Business Operations/CFO