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January 14, 2019

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit And Review Commission

James E. Ryan
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 3.2.4.15.1, for the year ended June 30, 2018. University management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) and the Schedule’s compliance with NCAA requirements. 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 four 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 process 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, 2018, 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 trial balance worksheets, and agreed the amounts in management’s trial balance worksheets to the Intercollegiate Athletics Department’s accounts in the accounting records. Certain adjustments to the Schedule were necessary to conform to
We discussed the nature of adjusting journal entries 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. Variances exceeding ten percent of prior period amounts or budget estimates are explained below:

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ticket Sales</td>
<td>The University experienced a 13 percent increase in ticket sales during fiscal year 2018 as a result of an increase in men’s basketball season ticket sales and the home football game with Virginia Tech in Fall 2017.</td>
</tr>
<tr>
<td>Media Rights</td>
<td>The University experienced a 15.5 percent increase in media rights revenue during fiscal year 2018 due to the increase in the media rights portion of the ACC distribution.</td>
</tr>
<tr>
<td>Administrative and Support Expenses (Budget item)</td>
<td>The University incurred expenses in the administrative and support expense category of 11.5 percent over budget during fiscal year 2018, due to their participation in a bowl game in 2017 and an unexpected increase in athletics security. Potential bowl game expenses are not budgeted as part of the Athletics department’s base budget.</td>
</tr>
</tbody>
</table>

Revenues

9. We performed a walkthrough of the University’s process for selling tickets and recording ticket sales revenue. We received a summary report of tickets sold by sport from the University’s ticketing system and agreed ticket sales revenue for all tickets sold by comparing the summary report to total revenue recorded in the general ledger and the Schedule. We compared numbers of tickets sold to total announced attendance for each sport. We determined the amounts reported in the Schedule to be substantially in agreement with the amounts reported in the ticketing system.

10. We obtained documentation 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 with minor differences attributed to the methodology used for projecting student fee revenue.
11. We obtained the amount of direct institutional support revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.

12. We obtained the amount of game guarantee revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

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 Virginia Athletic 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 Virginia Athletic Foundation, which exceeded ten percent of all contributions and agreed them to supporting documentation.

14. We obtained the amount of in-kind revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from media 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.

16. 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 inspected the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation. We noted a classification error and requested an adjustment of $1,487,509 from the conference distribution to the NCAA distribution line item in the Schedule. After this reclassification, amounts are properly recorded in the Schedule.

17. We obtained the amount of program, novelty, parking, and concession sales revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

18. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, licensing, advertisement, and sponsorships. We inspected the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.

19. We obtained the amount of sports camp revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.
20. We obtained the amount of athletics restricted endowment and investment income reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

21. We obtained and inspected agreements related to the institution’s participation in a post-season bowl to gain an understanding of the relevant terms and conditions. We compared and agreed the related revenues to amounts reported in the general ledger and the Schedule. We noted a classification error related to bowl game ticket sales and requested an adjustment of $100,603 that was initially reported as ticket sales but was moved to bowl revenues. After this reclassification, amounts are properly recorded in the Schedule.

22. We obtained the amount of other operating revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

Expenses

23. 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 40 individual student-athletes across all sports and obtained the students’ account detail from the institution’s student information system. We agreed each student’s information to the information reported in the NCAA Membership Financial Reporting System. We also ensured that the total aid amount for each sport agreed to amounts reported as Financial Aid in the student accounting system. We performed a check of selected student’s information as reported in the NCAA’s Compliance Assistant software to ensure proper calculation of revenue distribution equivalencies.

24. We obtained the amount of game guarantee expense reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

25. 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.

26. We obtained the amount of severance payments expense reported in the Schedule during the reporting period. This amount was deemed to be immaterial for detailed testing.

27. We obtained the Intercollegiate Athletics Department’s written recruiting and team travel policies from 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.

28. We selected a sample of disbursements for team travel; game expenses; direct overhead and administration; 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.

29. 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 included in the Schedule, including the two highest facility payments, and agreed them to supporting documentation.

30. We obtained an understanding of the University’s methodology for charging indirect cost to the athletic department. We evaluated indirect cost charges for reasonableness and noted proper reporting of these charges in the Schedule.

Other Reporting Items

31. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculate annual maturities reporting in the notes to the Schedule and agreed total annual maturities and total outstanding athletic related debt to supporting documentation.

32. We agreed total outstanding institutional debt to supporting debt schedules and the University’s audited financial statements.

33. We agreed the fair value of athletics dedicated endowments to supporting documentation provided by the University.

34. We agreed the fair value of institutional endowments to supporting documentation, including the audited financial statements of the University and its related Foundations.

35. We obtained a schedule of athletics related capital expenditures made during the period. We selected a sample of transactions to validate existence and accuracy of recording and recalculated totals.

Additional Procedures

36. We compared the sports sponsored, as reported in the NCAA Membership Financial Reporting System, to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from the NCAA’s Compliance Assistant software for the institution. We noted agreement of the sports reported.
37. We obtained the institution’s Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports identified by the institution met the minimum requirements for number of contests and minimum number of participants as defined in NCAA Bylaw 20.9.6.3. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.

38. We obtained a listing of student-athletes receiving Pell Grant awards from the institution’s student information system and agreed the total value of these Pell Grants to the amount reported in the NCAA Membership Financial Reporting System. We noted a net difference of $2,376 between the amounts reported in the respective systems.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, 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, 2018

<table>
<thead>
<tr>
<th>Men's Sports</th>
<th>Women's Sports</th>
<th>Track &amp; Field</th>
<th>Other Sports</th>
<th>Non-Program Specific</th>
</tr>
</thead>
<tbody>
<tr>
<td>Football</td>
<td>Basketball</td>
<td>Baseball</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$4,654,678</td>
<td>$142,369</td>
<td>$457,084</td>
<td></td>
<td>$211,376</td>
</tr>
<tr>
<td>$4,817,015</td>
<td>$1,423,359</td>
<td>$1,236,612</td>
<td>$3,320</td>
<td>$284,471</td>
</tr>
<tr>
<td>$8,017,015</td>
<td>$1,423,359</td>
<td>$1,236,612</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Operating Revenues:
- **Ticket sales:** $8,017,015
- **Student fees:** $1,423,359
- **Direct institutional support:** $1,236,612
- **Guarantees:** $1,236,612
- **Contributions:** $1,236,612
- **In-Kind:** $1,236,612
- **Media rights:** $1,236,612
- **NCAA distributions:** $1,236,612
- **Conference distributions (non-media or bowl):** $1,236,612
- **Program, novelty, parking, and concession sales:** $1,236,612
- **Royalties, licensing, advertisement and sponsorships:** $1,236,612
- **Arms and equipment, uniforms, and supplies:** $1,236,612
- **Recruiting:** $1,236,612
- **Guarantees:** $1,236,612
- **Team travel:** $1,236,612
- **Game expenses:** $1,236,612
- **Fundraising, marketing and promotion expenses:** $1,236,612
- **Marketing and promotion expenses:** $1,236,612
- **Spirit group expenses:** $1,236,612
- **Athletic facility leases and rental fees:** $1,236,612
- **Athletic facility debt service:** $1,236,612
- **Direct overhead and administrative expenses:** $1,236,612
- **Indirect cost paid to the institution by athletics:** $1,236,612
- **Medical expenses and insurance:** $1,236,612
- **Memberships and dues:** $1,236,612
- **Student-Athlete Meals (non-travel):** $1,236,612
- **Other operating expenses:** $1,236,612
- **Bowl expenses:** $1,236,612
- **Bowl expenses - coaching compensation/bonuses:** $1,236,612
- **Total operating expenses:** $1,236,612

### Fiscal Year 2018

<table>
<thead>
<tr>
<th>Football</th>
<th>Basketball</th>
<th>Baseball</th>
<th>Track &amp; Field</th>
<th>Other Sports</th>
<th>Non-Program Specific</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,654,678</td>
<td>$142,369</td>
<td>$457,084</td>
<td></td>
<td></td>
<td>$211,376</td>
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<tr>
<td>$4,817,015</td>
<td>$1,423,359</td>
<td>$1,236,612</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$8,017,015</td>
<td>$1,423,359</td>
<td>$1,236,612</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Other Reporting Items:
- **Total athletics-related debt:** $57,328,987
- **Total institutional debt:** $1,306,577,295
- **Value of athletics-dedicated endowments:** $172,269,008
- **Value of institutional endowments:** $6,673,148,807
- **Total athletics-related capital expenditures:** $30,521,769

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

Fiscal Year 2018
UNIVERSITY OF VIRGINIA
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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 $38,797,609 in contributions from the Virginia Athletics Foundation (VAF). This amount includes approximately $18,574,298 for scholarships for student-athletes, $3,853,521 for operating expenses and $11,209,392, which is used to fund capital expenses. Due to NCAA reporting requirements, these capital expenses are not recorded in the Schedule of Revenues and Expenses.

It also includes approximately $453,821 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 $4,706,577 from VAF, which the University is currently using to fund debt service for Scott Stadium and the John Paul Jones Arena. These amounts are included in the accompanying Schedule in Contributions revenue.

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 three to twenty 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 position 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, 2018 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.

<table>
<thead>
<tr>
<th>Nondepreciable Capital Assets</th>
<th>Total Nondepreciable Capital Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction in Progress</td>
<td>$1,811,734</td>
</tr>
<tr>
<td></td>
<td><strong>1,811,734</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Depreciable Capital Assets:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
</tr>
<tr>
<td>Infrastructure</td>
</tr>
<tr>
<td>Equipment</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
</tr>
<tr>
<td>Total depreciable capital assets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less Accumulated Depreciation for:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
</tr>
<tr>
<td>Infrastructure</td>
</tr>
<tr>
<td>Equipment</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
</tr>
<tr>
<td>Total Depreciable Capital Assets, Net</td>
</tr>
<tr>
<td>Total Capital Assets, Net</td>
</tr>
</tbody>
</table>
4. **LONG-TERM DEBT**

Long-term debt relating to Athletics:

<table>
<thead>
<tr>
<th>Description</th>
<th>Interest Rate</th>
<th>Maturity</th>
<th>Balance at June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Bonds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scott Stadium/JPJ Arena Combo</td>
<td>3.81%</td>
<td>2025</td>
<td>$57,328,987</td>
</tr>
<tr>
<td>Total Long-term Debt</td>
<td></td>
<td></td>
<td>$57,328,987</td>
</tr>
</tbody>
</table>

Long-term debt maturities:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$5,149,889</td>
<td>$1,988,024</td>
</tr>
<tr>
<td>2020</td>
<td>5,149,889</td>
<td>1,791,813</td>
</tr>
<tr>
<td>2021</td>
<td>5,149,889</td>
<td>1,595,602</td>
</tr>
<tr>
<td>2022</td>
<td>5,149,890</td>
<td>1,399,391</td>
</tr>
<tr>
<td>2023</td>
<td>5,149,890</td>
<td>1,203,180</td>
</tr>
<tr>
<td>2024-2025</td>
<td>31,579,540</td>
<td>1,820,468</td>
</tr>
<tr>
<td>Total</td>
<td>$57,328,987</td>
<td>$9,798,478</td>
</tr>
</tbody>
</table>

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, 2018 was 5.3 percent and generated $3,711,000 in overhead recoveries from Athletics.