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January 28, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
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 (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 3.2.4.17.1, for the year ended June 30, 2020. 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 the Intercollegiate Athletics department, 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 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 University’s 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, 2020, 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
NCAA reporting guidance. 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 moved a home football game to Nashville, TN in fiscal year 2019 due to inclement weather, which decreased ticket sales for that year. Additionally, in fiscal year 2020, the University’s football game against Virginia Tech was a home game, which generated approximately $2 million in additional ticket sales. The football team also participated in the Atlantic Coast Conference (ACC) championship and the Orange Bowl, which also contributed to the increase in ticket sales.</td>
</tr>
<tr>
<td>Media Rights</td>
<td>In fiscal year 2020, the ACC launched the ACC network, which decreased the base amount of media rights revenue received. Additionally, the variable media rights revenue was not recorded until fiscal year 2021. As a result, the University recognized $2,049,824 less in revenue attributable to media rights in fiscal year 2020.</td>
</tr>
<tr>
<td>ACC Distribution (Budget Item)</td>
<td>The athletic department budgets by major revenue source type rather than budgeting separately for each NCAA line item. As noted in the explanation for media rights revenue above, the University did not receive $3.4 million in variable media rights revenue distribution until fiscal year 2021. As a result, the University’s actual ACC distribution was $3,760,243 or 13 percent less than the budgeted amount.</td>
</tr>
<tr>
<td>Administrative &amp; Support Expenses (Budget Item)</td>
<td>The University incurred 26 percent less administration and support expenses in fiscal year 2020 primarily due to a spending freeze because of the COVID-19 pandemic. Additionally, spring sports did not occur as normal resulting in the University incurring lower expenses than budgeted.</td>
</tr>
</tbody>
</table>
Revenues

9. We reviewed a sample of ticket sales reconciliations performed for accuracy and proper review and approval, noting one exception where a reconciliation was not signed as reviewed during the transition to remote work at the beginning of the COVID-19 pandemic. However, we noted proper segregation of duties between the sale of tickets by the ticket office and performance of ticket sales reconciliations by the Assistant Athletic Director for Business Operations. We performed a recalculation of ticket sales revenue for ticketed sports, including football and men’s and women’s basketball, by comparing the number of tickets sold, attendance, and sale price to total revenue recorded in the Schedule. We determined revenue recorded to be accurate and the amounts reported in the Schedule to be substantially in agreement with our recalculation.

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. The amount was deemed to be immaterial for detailed testing.

12. We obtained the amount of indirect institutional support – athletic facilities debt service, lease and rental fees revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

13. We obtained the amount of game guarantee revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

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

15. We obtained the amount of in-kind revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing; however, during the testing of other material items, we determined adjustments should be made to reduce in-kind revenue
by $346,680 for non-cash contributions related to previous years and increase in-kind revenue by $158,087 for contractually guaranteed courtesy cars not previously recognized. Following adjustment to record the net decrease in in-kind revenue, we believe in-kind revenue to be appropriately stated.

16. Intercollegiate Athletics department management provided us with a listing and copies of all agreements related to 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.

17. 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.

18. We obtained the amount of program, novelty, parking, and concession sales revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

19. 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.

20. We obtained the amount of sports camp revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

21. We obtained the amount of athletics-restricted endowment and investments income from the Schedule. The amount was deemed to be immaterial for detailed testing.

22. We obtained the amount of other operating revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

23. 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.

Expenses

24. 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 via Compliance Assistant. 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 students’ information as reported in the NCAA’s Compliance Assistant software to ensure proper calculation of revenue distribution equivalencies.

25. We obtained the amount of game guarantee expense from the Schedule. The amount was deemed to be immaterial for detailed testing.

26. 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 noted compensation for contractually guaranteed courtesy cars was not included in the Schedule. The athletic department adjusted coaching salaries, benefits, and bonuses and support staff/administration salaries, benefits, and bonuses by $60,215 and $17,356, respectively, to recognize the value of the estimated personal use of courtesy cars by those receiving this benefit. Additionally, management reclassified $163,366 in contractually guaranteed benefits from other operating expense to coaching salaries, benefits, and bonuses and recorded a $5,943 adjustment to support staff/administration salaries, benefits, and bonuses to recognize federal work study support for student workers employed by the Intercollegiate Athletics department. Following the adjustments, we found that recorded expenses equaled amounts paid as salary and bonuses and agreed with approved contracts or other documentation.

27. We obtained the amount of severance payment expense from the Schedule. This amount was deemed to be immaterial for detailed testing.

28. 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.

29. We selected a sample of disbursements for team travel, game expenses, direct overhead and administrative expenses, and other operating expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. After reclassification of two amounts totaling $31.14 classified as other operating expenses to direct overhead and administrative expenses and one amount totaling $3.60 classified as direct overhead and administrative expenses to sports equipment, uniforms, and supplies, tested amounts are properly recorded in the Schedule.
30. 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.

31. 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**

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

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

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

35. We agreed the fair value of institutional endowments to supporting documentation provided by the University and its related foundations, including the University’s general ledger.

36. 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 recalculation totals.

**Additional Procedures**

37. 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.

38. We compared total current year grants-in-aid revenue distribution equivalencies to total prior year reported equivalencies per the NCAA Membership Financial Report submission and noted no variations exceeding four percent when compared to prior year.

39. 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 or qualified for the extraordinary blanket waiver per NCAA guidance due to the COVID-19 pandemic. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.

40. We compared the current number of sports sponsored to the prior year total reported in the University’s NCAA Membership Financial Report submission and noted no variations when compared to prior year.

41. 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 agreement of the amounts reported.

42. We compared the total number of Pell grant awards in the current year to the number reported in the prior year NCAA Membership Financial Report submission. We noted no variations greater than 20 grants when compared with the prior year.

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.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

EMS/clj
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, 2020

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, 2020. 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 $46,584,959 in contributions from the Virginia Athletics Foundation (VAF). This amount includes approximately $20,109,582 for scholarships for student-athletes, $7,542,998 for operating expenses and $18,332,545, 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 $599,834 paid directly by VAF for the benefit of University Athletics, for fundraising and operating expenses, as well as for improvements and equipment. These amounts are included in the accompanying Schedule in Contributions revenue.

3. CAPITAL ASSETS

Capital assets are recorded at cost on the date of acquisition or, if donated, at the acquisition value on the date of donation. 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 Progress. 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, 2020, 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>Description</th>
<th>Balance at June 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-depreciable Capital Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>$ 15,789,826</td>
</tr>
<tr>
<td>Total Non-depreciable Capital Assets</td>
<td>15,789,826</td>
</tr>
<tr>
<td><strong>Depreciable Capital Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>$260,765,875</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>13,322,587</td>
</tr>
<tr>
<td>Equipment</td>
<td>6,004,359</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>133,382,121</td>
</tr>
<tr>
<td>Total depreciable capital assets</td>
<td>413,474,942</td>
</tr>
<tr>
<td><strong>Less Accumulated Depreciation for:</strong></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>99,626,959</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>5,721,017</td>
</tr>
<tr>
<td>Equipment</td>
<td>4,344,240</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>104,637,415</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>214,329,631</td>
</tr>
<tr>
<td><strong>Total Depreciable Capital Assets, Net</strong></td>
<td>$199,145,311</td>
</tr>
<tr>
<td><strong>Total Capital Assets, Net</strong></td>
<td>$214,935,137</td>
</tr>
</tbody>
</table>
4. **LONG-TERM DEBT**

The composition of long-term debt relating to Athletics at June 30, 2020, is summarized as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Interest Rates</th>
<th>Maturity</th>
<th>Balance at June 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Bonds:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University of Virginia Series 2015B - JPJ &amp;</td>
<td>2.0 to 5.0%</td>
<td>2022</td>
<td>$24,600,758</td>
</tr>
<tr>
<td>Scott Stadium Expansion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Athletics Direct Loans:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPJ Performance Center Renovation</td>
<td>2.48%</td>
<td>2025</td>
<td>$5,408,865</td>
</tr>
<tr>
<td>Athletics Complex Master Plan</td>
<td>2.48%</td>
<td>2025</td>
<td>$21,911,192</td>
</tr>
<tr>
<td><strong>Total Long-term Debt</strong></td>
<td></td>
<td></td>
<td>$51,920,815</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>2021</td>
<td>$2,143,904</td>
<td>$1,780,479</td>
</tr>
<tr>
<td>2022</td>
<td>31,165,358</td>
<td>1,159,062</td>
</tr>
<tr>
<td>2023</td>
<td>8,230,232</td>
<td>368,435</td>
</tr>
<tr>
<td>2024</td>
<td>8,436,678</td>
<td>161,989</td>
</tr>
<tr>
<td>2025</td>
<td>1,944,643</td>
<td>9,245</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$51,920,815</td>
<td>$3,479,210</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, 2020 was 4.5 percent and generated $3,017,000 in overhead recoveries from Athletics.

6. **NON-REVENUE FUNDING SOURCES**

The athletics department received an operating loan from the University that allows the department to run a deficit for fiscal year 2020, with the agreement that the athletics department will repay the loan over future years.
UNIVERSITY OF VIRGINIA
As of June 30, 2020

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Vice Rector

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Steven A. Pritzker
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