



VIRGINIA MILITARY INSTITUTE

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts

Staci A. Henshaw, CPA

www.apa.virginia.gov

(804) 225-3350



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Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 26, 2022

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Cedric T. Wins
Superintendent, Virginia Military Institute

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on Virginia Military Institute's Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2021. Institute management is responsible for the Schedule and its compliance with National Collegiate Athletic Association (NCAA) requirements.

Institute management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the Schedule is in compliance with NCAA Constitution 3.2.4.17.1, for the year ended June 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

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 and associated 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 Institute'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 Institute's financial statements.
2. Intercollegiate Athletics Department management provided a current organizational chart. We also made certain inquiries of management regarding control consciousness, 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 institute'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 Institute'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, 2021, as prepared by the Institute, 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. While the Agreed-

Upon Procedures specify a deadline of January 15th for the completion of our work, delays in receiving the Schedule and associated supporting documentation, as well as subsequent questions regarding specific items presented in the Schedule, prevented the completion of these procedures by the required deadline.

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:

<u>Line Item</u>	<u>Explanation</u>
Indirect cost (budget line)	The Intercollegiate Athletics Department experienced a reduction of \$793,244 or 44 percent in indirect cost expense primarily attributable to the Institute waiving \$527,600 in indirect cost recoveries as authorized by the Virginia General Assembly in response to the COVID-19 pandemic.

Revenues

9. We obtained the amount of ticket sales revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
10. We obtained documentation of the Institute’s methodology for allocating cadet activity fees to intercollegiate athletics programs. We compared cadet activity 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 cadet activity fee revenue.
11. We obtained the amount of direct institutional support from the Schedule. The amount was deemed to be immaterial for detailed testing.
12. We compared amounts reported in the Schedule for indirect institutional support to expense payments, cost allocation detail and other corroborative supporting documentation and noted them to agree.
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 its 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 Military Institute Foundation, Virginia Military Institute Development Board, and Virginia Military Institute Keydet Club, affiliated organizations, 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 Military Institute Foundation, Virginia Military Institute Development Board, and Virginia Military Institute Keydet Club, which exceeded ten percent of all contributions, and agreed them to supporting documentation. We noted a reconciling difference of \$401.50 between the contributions reported by the Foundation and the amount reported on the Schedule.

15. We obtained the amount of in-kind revenue reported in the Schedule. The amount was deemed to be immaterial for detailed testing.
16. We obtained the amount of NCAA distribution revenue from the Schedule. We agreed amounts to proper posting in the accounting records and supporting documentation.
17. We obtained the amount of conference distribution (non-media and non-football bowl) revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
18. We obtained the amount of royalty, licensing, advertisement, and sponsorship revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
19. We obtained the amount of other operating revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

Expenses

20. Intercollegiate Athletics Department management provided us a listing of student aid recipients during the reporting period. Since the Institute used the NCAA Compliance Assistant software to prepare athletic aid detail, we selected ten percent of individual student-athletes across all sports and obtained the students' account detail from the Institute's student information system. We agreed each student's information to the information reported in the NCAA Membership Financial Reporting System by comparing the reported amounts to amounts in the finance and student information systems. 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 Membership Financial Reporting System to ensure proper calculation of revenue distribution equivalencies.
21. We obtained the amount of game guarantee expense from the Schedule. The amount was deemed to be immaterial for detailed testing.

22. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the Institute during the reporting period. We selected and tested individuals, including football and men'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 agreed with approved contracts or other documentation.
23. 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 Institute and NCAA policies and noted substantial agreement of those policies.
24. We selected a sample of disbursements for team travel. 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.
25. We obtained an understanding of the Institute'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

26. We agreed total outstanding institutional debt to supporting debt schedules and the Institute's unaudited financial statements and general ledger, as the audited financial statements were not yet available.
27. We agreed the fair value of athletics-dedicated endowments to supporting documentation provided by the VMI Alumni Agencies.
28. We agreed the fair value of institutional endowments to supporting documentation, including the Institute's general ledger, and supporting documentation provided by the VMI Alumni Agencies.
29. We obtained a schedule of athletics-related capital expenditures made during the period. We reviewed all transactions to validate existence and accuracy of the recording and recalculated totals.

Additional Procedures

30. We compared the sports sponsored by the Institute, 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.

31. 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.
32. We obtained the Institute'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.
33. We compared the current number of sports sponsored to the prior year total reported in the Institute's NCAA Membership Financial Report submission and noted no variations when compared to prior year.
34. We obtained a listing of student-athletes receiving Pell grant awards from the Institute'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 that the Institute reported the correct number of Pell recipients but underreported the total Pell grant award amount in the NCAA Membership Financial Reporting System by \$6,345.
35. 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.

We were engaged by Institute management to perform this agreed-upon procedures engagement and conducted our engagement 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, examination, or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Virginia Military Institute and its Superintendent 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

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VIRGINIA MILITARY INSTITUTE
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2021

	Football	Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:					
Ticket sales	\$ 93,985	\$ 19,178	\$ 1,376	\$ -	\$ 114,539
Cadet activity fees	-	-	-	6,586,545	6,586,545
Direct institutional support	-	12,638	37,852	12,500	62,990
Indirect institutional support	-	-	-	527,600	527,600
Guarantees	-	157,500	1,500	-	159,000
Contributions	2,309,853	616,096	2,431,194	515,621	5,872,764
In-Kind	-	-	-	5,750	5,750
NCAA distributions	61,843	41,100	13,176	491,865	607,984
Conference distributions (non-media and non-football bowl)	-	-	-	68,000	68,000
Royalties, licensing, advertisement and sponsorships	-	-	-	90,604	90,604
Other operating revenue	-	-	44,209	1,850	46,059
Total operating revenues	2,465,681	846,512	2,529,307	8,300,335	14,141,835
Operating expenses:					
Athletic student aid	2,358,336	655,916	2,091,583	110,739	5,216,574
Guarantees	-	10,000	-	-	10,000
Coaching salaries, benefits, and bonuses paid by the University and related entities	1,023,762	534,325	1,168,950	-	2,727,037
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	-	73,757	-	1,949,444	2,023,201
Recruiting	1,900	9,118	7,017	-	18,035
Team travel	66,573	100,916	359,276	7,135	533,900
Sports equipment, uniforms, and supplies	109,605	35,679	270,172	35,724	451,180
Game expenses	80,373	61,959	115,927	9,510	267,769
Fundraising, marketing and promotion	-	-	-	9,888	9,888
Direct overhead and administrative expenses	-	-	5,039	282,129	287,168
Indirect cost paid to the institution by athletics	-	-	-	884,134	884,134
Indirect institutional support	-	-	-	527,600	527,600
Medical expenses and insurance	-	62	-	57,415	57,477
Memberships and dues	1,759	42	17,883	36,197	55,881
Other operating expenses	25,087	18,540	33,167	274,808	351,602
Total operating expenses	3,667,395	1,500,314	4,069,014	4,184,723	13,421,446
Excess (deficiency) of revenues over (under) expenses	\$ (1,201,714)	\$ (653,802)	\$ (1,539,707)	\$ 4,115,612	\$ 720,389
Other Reporting Items:					
Total institutional debt					\$ 23,344,499
Value of athletics-dedicated endowments					\$ 218,459
Value of institutional endowments					\$ 679,726,008
Total athletics-related capital expenditures					\$ 28,657

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

VIRGINIA MILITARY INSTITUTE
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2021

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of this Schedule is to present a summary of operating revenues and expenses of the intercollegiate athletic programs of the Institute for the year ended 30 June 2021. The Schedule includes those intercollegiate athletic expenses made on behalf of the Institute's athletics programs by outside organizations not under the accounting control of the Institute. This Schedule includes a selected portion of the Institute's activities and is not intended to and does not present either the financial position or changes in financial position for the year then ended. Revenues and expenses are directly identifiable with each category presented and 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 Virginia Military Institute Keydet Club was established in 1948 for the purpose of raising contributions for scholarships to be awarded to athletes of the Institute. The Keydet Club contributed \$4,623,365 to the Institute during fiscal year 2021. These contributions include \$69,681 in unrestricted funds, \$4,161,642 for intercollegiate athletic programs student financial assistance, and \$392,042 in non-cash support provided by the Keydet Club.

The Virginia Military Institute Development Board was established in 1978 by the Virginia Military Institute Alumni Association to implement a comprehensive development program and to coordinate the Institute's various fund-raising activities. The Board provides support to VMI from cash donations and income from its endowment. The Board contributed \$421,322 in restricted support and \$17,776 in student financial assistance to the Institute in support of intercollegiate athletics during fiscal year 2021.

The VMI Foundation, Incorporated was established for the purpose of soliciting and accepting various funds and to disburse such funds, or income earned from those funds, for the advancement of VMI and the VMI Alumni Association. During the 2021 fiscal year, the VMI Foundation provided restricted funds of \$810,301 for athletic student financial aid.

3. CAPITAL ASSETS

The Institute's policies and procedures for acquiring, approving, depreciating, and disposing of athletic-related capital assets are the same for all of the Institute's capital assets.

Capital assets consisting of buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress (CIP) is capitalized at actual cost as expenses are incurred. All gifts of capital assets are recorded at acquisition value as of the date of donation.

Equipment is capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is one year or more. Renovation costs are capitalized when expenses total more than \$100,000, the asset value significantly increases, and the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 50 years for buildings, ten to 30 years for infrastructure and land improvements, and five to 25 years for equipment.

A summary of capital asset balances for intercollegiate athletics at 30 June 2021 follows:

Depreciable Capital Assets	
Buildings	\$34,091,311
Improvements other than buildings	3,380,528
Equipment	<u>669,106</u>
Total depreciable capital assets at cost	38,140,945
Less accumulated depreciation:	
Buildings	(10,011,728)
Improvements other than buildings	(2,457,785)
Equipment	<u>(554,374)</u>
Total accumulated depreciation	(13,023,888)
Total depreciable capital assets, net of accumulated depreciation'	25,117,058
Total capital assets for intercollegiate athletics, net of accumulated depreciation	\$25,117,058

4. ADMINISTRATIVE COST RECOVERIES

The Institute recovers from auxiliary enterprises an amount to reimburse for the cost of institutional support and the operation and maintenance of plant. For the 2021 fiscal year, the Institute recovered from the intercollegiate athletics program \$464,660 of institutional support costs and \$419,474 for operation and maintenance of plant costs, both are reflected as a non-program, indirect cost expense within the “Indirect cost paid to the institute by athletics” line item. Due to the COVID-19 pandemic, the Virginia General Assembly included language within the Budget Bill Chapter 552 that granted institutions of higher education the authority to reduce recovery of the full indirect cost of auxiliary enterprise program to the educational and general program for the 2020 – 2022 biennium. Based upon the authorization, the Institute reduced the administrative cost recovery by \$527,600 which is recorded in the “Indirect institutional support” revenue and expense line items on the Schedule.

VIRGINIA MILITARY INSTITUTE

As of June 30, 2021

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