

## Committee Minutes

### FINANCE AND RESOURCE MANAGEMENT COMMITTEE

The Inn at Virginia Tech

April 3-4, 2022

#### Open Session

April 3, 2022

**Board Members Present:** Ed Baine, Sharon Brickhouse Martin, Shelley Butler Barlow, Carrie Chenery (via Zoom)\*, Holli Drewry – Administrative/Professional Faculty Representative, Paolo Fermin – Undergraduate Student Representative, Greta Harris, C.T. Hill, Anna James, Tish Long, Phil Miskovic – Graduate Student Representative, Melissa Nelson, Horacio Valeiras, Robert Weiss – Faculty Representative, Preston White

**Virginia Tech Personnel:** Beth Armstrong, Callan Bartel, Lynsay Belshe, Bob Broyden, Cyril Clarke, Al Cooper, John Cusimano, Corey Earles, Jeff Earley, Alisha Ebert, Kari Evans, Ron Fricker, Michael Friedlander, Rachel Gabriele, Bryan Garey, Emily Gibson, Debbie Greer, Kay Heidbreder, Jim Hillman, Tim Hodge, Elizabeth Hooper, Chris Kiwus, Sharon Kurek, Rob Mann, Elizabeth McClanahan, Ken McCrery, Steve McKnight, Nancy Meacham, Scott Midkiff, Ken Miller, Justin Noble, Kim O'Rourke, Mark Owczarski, Charlie Phlegar, Ellen Plummer, Jon Porter, Robin Queen, Tim Sands, Frank Shushok, Dan Sui, Aimée Surprenant, Don Taylor, Judy Taylor, Jon Clark Teglas, Tracy Vosburgh, Melinda West, Lisa Wilkes

\* One Board member participated remotely for personal reasons in accordance with Code of Virginia §2.2-3708.2(A)(1)(2). Ms. Chenery participated remotely while on a family vacation. She was located at 9423 Old Oregon Inlet Road, Nags Head, NC.

1. **Welcome and Opening Remarks:** The Committee Chair welcomed the attendees and gave opening remarks.
2. **Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.
  - a. **Approval of Minutes of the November 8, 2021 Meeting**
  - b. **Approval of Minutes of the March 22, 2022 Meeting**
  - c. **Report on Actions Taken Under the Delegation of Authority and Policy 4240 and the Corresponding Financial and Programmatic Impacts:** The Committee received an update on the actions taken under the delegation of authority and policy 4240 and the corresponding financial and programmatic

impacts. There have been no actions taken since the quarterly update provided at the March 2021 Finance and Resource Management open session meeting.

- \* **d. Approval of Revised Resolution for Authority to Loan Funds to Virginia Tech Innovations Corporation and Its Subsidiary(ies):** The Committee reviewed for approval the revised resolution for authority to loan funds to Virginia Tech Innovations Corporation and Its Subsidiary(ies). The original resolution was passed at the June 2021 Board of Visitors meeting and it allowed the university to loan working capital up to \$2.5 million to Virginia Tech Innovations Corporation (VTIC) and its subsidiary(ies) outside the United States. The proposed revisions would expand this resolution to allow the university to advance working capital to a newly created or planned limited liability corporation (LLC) under VTIC.
- \* **e. Approval of Resolution to Appoint University Commissioner to the Hotel Roanoke Conference Center Commission:** The Committee reviewed for approval a resolution to appoint the Vice President for Finance as a representative of the university on the Hotel Roanoke Conference Center Commission

The Committee approved the items on the Consent Agenda and recommended the revised Resolution for Authority to Loan Funds to Virginia Tech Innovations Corporation and Its Subsidiary(ies) and the Resolution to Appoint University Commissioner to the Hotel Roanoke Conference Center Commission to the full Board for approval.

- 3. Update on Advancement:** University Advancement provided a report on their fundraising efforts including campaign updates, the most recent numbers for New Gifts and Commitments (NG&C) and Cash, growth model updates, and an overview of the progress made to reach the 22 percent participation rate by 2022 goal.
- ◆ **4. Update on the Tuition and Fee Rate Development for 2022-23:** The Committee received an overview of the budget development process and the impact of tuition and fee revenues and general funds on the universities' ability to fund strategic initiatives and ongoing operations.
- \* **5. Approval of 2022-23 Compensation for Graduate Assistants:** The Committee reviewed for approval the proposed 2022-23 compensation program for graduate students. The key components of the program include competitive stipends, a stipend supplement, tuition assistance, and health insurance. The university proposed a 5.0 percent increase in the stipend scale.

The Committee recommended the proposed 2022-23 Compensation for Graduate Assistants to the full board for approval.

6. **University's Annual Financial Statements:** The Committee received an overview of the university's annual financial statements for the fiscal year ending June 30, 2021. The financial statements have been prepared in accordance with generally accepted accounting principles, and the Auditor of Public Accounts (APA) issued an unmodified (or clean) opinion. The APA reported two written audit comments: one comment for improving the timeliness of enrollment data to the National Student Loan Data System, and the other comment for improving compliance over enrollment reporting. The university is in the process of implementing corrective action plans to address these audit comments.

At June 30, 2021, the university had total net position of approximately \$1.8 billion, an increase of \$300.1 million or 19.8 percent since fiscal year 2020. Total unrestricted net assets increased by \$178.2 million or 131.5 percent to \$42.7 million.

Total revenues for fiscal year 2021 were \$1.8 billion, an increase of \$142.9 million or 8.6 percent over fiscal year 2020. Total operating expenses for fiscal year 2021 were \$1.5 billion, decrease of \$36.2 million or 2.3 percent.

7. **Intercollegiate Athletics Programs Report for Year-Ended June 30, 2021:** The Committee received a report on the Auditor of Public Accounts (APA) Intercollegiate Athletics Program review for fiscal year 2021. The APA performed certain agreed-upon procedures to evaluate whether the Schedule of Revenues and Expenses of the Intercollegiate Athletics Program is in compliance with the National Collegiate Athletic Association (NCAA) bylaws. This review does not constitute an audit and therefore no opinion is issued, but no instances of noncompliance with bylaws were identified.

- \* 8. **Approval of Year-to-Date Financial Performance Report (July 1, 2021 – December 31, 2021):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2021 to December 31, 2021. For the second quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures. The operating budget was increased due to the receipt of federal pandemic relief funds. The operating budget was also adjusted for higher than anticipated enrollment.

Dining revenues were slightly higher than expected after a revenue budget reduction in anticipation of continued pandemic impacts. The university will continue to monitor this situation and develop a budget adjustment. The Athletics

Program budget revenues and expenses were increased for participation in the Pinstripe Bowl. Athletics expenses were higher than projected due to a football coaching transition. \$12 million of financing will be aligned in the third quarter.

For the quarter ending December 31, 2021, \$79.1 million was expended for Educational and General capital projects, and \$24.7 million was expended on Auxiliary Enterprises capital projects. Cumulative capital outlay expenditures for the quarter ending December 31, 2021 totaled \$103.8 million.

The Committee recommended the Year-to-Date Financial Performance Report to the full Board for approval.

9. **Discussion of Future Agenda Topics and Closing Remarks:** Due to time constraints, the Committee was unable to discuss future agenda topics.

There being no further business, the meeting adjourned at 5:43 p.m.

### **Joint Open Session with the Buildings and Grounds Committee**

April 4, 2022

**Board Members Present:** Ed Baine, Sharon Brickhouse Martin, Shelley Butler Barlow, Carrie Chenery (via Zoom)\*, Greta Harris, C. T. Hill, Tish Long, Phil Miskovic – Graduate Student Representative, Chris Petersen (via Zoom)\*, Horacio Valeiras, Preston White

**Virginia Tech Personnel:** Mac Babb, Callan Bartel, Lynsay Belshe, Bob Broyden, Kevin Carlson, Al Cooper, John Cusimano, Jeff Earley, Alisha Ebert, Mark Gess, Emily Gilbert, Kay Heidbreder, Jim Hillman, Mary-Ann Ibeziako, Robin Jones, Frances Keene, Chris Kiel, Chris Kiwus, Sharon Kurek, Jamie Lau, Rob Mann, Elizabeth McClanahan, Nancy Meacham, Scott Midkiff, Ken Miller, Bernadette Mondy, Liza Morris, Mike Mulhare, Bobbi Myers, Heidi, Myers, Justin Noble, Kim O'Rourke, Charlie Phlegar, Jon Porter, Tim Sands, Ken Smith, Dwyn Taylor, Jon Clark Teglas, Tracy Vosburgh, Lisa Wilkes, Chris Wise

\* Two Board members participated remotely for personal reasons in accordance with Code of Virginia §2.2-3708.2(A)(1)(2). Ms. Chenery participated remotely while on a family vacation. She was located at 9423 Old Oregon Inlet Road, Nags Head, NC. Mr. Petersen participated remotely due to upcoming business travel from 7012 Arbor Lane, McLean, VA.

1. **Motion to Reconvene in Open Session**
2. **Approval of Items Discussed in Closed Session**



- \* 3. **Approval of Resolution for a Long-term Lease for the Research Swing Space:** The Committees reviewed for approval a resolution for a long-term lease for the Research Swing Space. The total project budget for the project is \$20 million, and the estimated annual lease costs are \$2.07 million with an estimated present value debt impact of \$20 million

The Committees recommended the Resolution for a Long-term Lease for the Research Swing Space to the full Board for approval.

- \* 4. **Approval of Resolution for a Long-term Lease for the Gilbert Street Project:** The Committees reviewed for approval a resolution for a long-term lease for the Gilbert Street project. The total budget for the university's portion of the project is \$71.7 million with an estimated annual lease costs of \$5.5 million and an estimated present value debt impact of \$69 million.

The Committees recommended the Resolution for a Long-term Lease for the Gilbert Street Project to the full Board for approval.

- \* 5. **Approval of Resolution for Planning for the New Pamplin College of Business Building:** The Committees reviewed for approval a resolution for planning the new Pamplin College of Business building. The target total project budget is \$80.8 million, and the funding plan calls for entirely nongeneral fund support. The funding sources include \$40.4 million of private fund raising and \$40.4 million of university nongeneral funds which will be allocated by the university in a combination of cash and annual support for debt service. The private fund commitments have reached the necessary milestone and cash receipts are available and sufficient to cover the \$8 million cost to complete planning through working drawings.

The Committees recommended the Resolution for Planning for the New Pamplin College of Business Building to the full Board for approval.

There being no further business, the meeting adjourned at 12:14 p.m.

\* **Requires full Board approval.**

♦ **Discusses Enterprise Risk Management topic(s).**

**Open Session Agenda**  
**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**  
**Latham A/B, The Inn at Virginia Tech**  
**3:00 p.m.**  
**April 3, 2022**

<b><u>Agenda Item</u></b>	<b><u>Reporting Responsibility</u></b>
1. Welcome and Opening Remarks	Ed Baine
2. Consent Agenda	Ed Baine
a. Approval of Minutes of the November 8, 2021 Meeting	
b. Approval of Minutes of the March 22, 2022 Meeting	
c. Report on Actions Taken Under the Delegation of Authority and Policy 4240 and the Corresponding Financial and Programmatic Impacts	
* d. Approval of Revised Resolution for Authority to Loan Funds to Virginia Tech Innovations Corporation and Its Subsidiary(ies)	
* e. Approval of Resolution to Appoint University Commissioner to the Hotel Roanoke Conference Center Commission	
3. Update on Advancement	Charlie Phlegar
◆ 4. Update on the Tuition and Fee Rate Development for 2022-23	Ken Miller
* 5. Approval of 2022-23 Compensation for Graduate Assistants	Ken Miller Tim Hodge
6. University's Annual Financial Statements	Ken Miller Melinda West
7. Intercollegiate Athletics Programs Report for Year Ended June 30, 2021	Ken Miller Melinda West
* 8. Approval of Year-to-Date Financial Performance Report (July 1, 2021 – December 31, 2021)	Tim Hodge Bob Broyden
9. Discussion of Future Agenda Topics and Closing Remarks	Ed Baine

\* Requires full Board approval.

◆ Discusses Enterprise Risk Management topic(s).

**Joint Closed/Open Session Agenda**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE AND BUILDINGS AND  
GROUNDS COMMITTEES**

**11:30 a.m.**

**April 4, 2022**

**Joint Closed**

**Agenda Item**

**Reporting  
Responsibility**

- |      |   |  |
|------|---|--|
| 1.   | Motion to Begin Closed Session                            | Sharon Brickhouse<br>Martin              |
| * 2. | Approval of Resolution for the Disposition of Real Estate | Ken Miller<br>Chris Kiwus<br>Bob Broyden |

**Joint Open**

**Agenda Item**

**Reporting  
Responsibility**

- |      |  |  |
|------|--|--|
| 1.   | Motion to Reconvene in Open Session  | Sharon Brickhouse<br>Martin              |
| 2.   | Approval of Items Discussed in Closed Session  | Ed Baine                                 |
| * 3. | Approval of Resolution for a Long-term Lease for the Research Swing Space            | Ken Miller<br>Chris Kiwus<br>Bob Broyden |
| * 4. | Approval of Resolution for a Long-term Lease for the Gilbert Street Project          | Ken Miller<br>Chris Kiwus<br>Bob Broyden |
| * 5. | Approval of Resolution for Planning for the New Pamplin College of Business Building | Ken Miller<br>Chris Kiwus<br>Bob Broyden |

**\* Requires full Board approval.**

**◆ Discusses Enterprise Risk Management topic(s).**

# CONSENT AGENDA

Attachment G

- a. Approval of Minutes of the November 8, 2021 Meeting
- b. Approval of Minutes of the March 22, 2022 Meeting
- c. Report on Actions Taken Under the Delegation of Authority and Policy 4240 and the Corresponding Financial and Programmatic Impacts
- \* d. Approval of Revised Resolution for Authority to Loan Funds to Virginia Tech Innovations Corporation and Its Subsidiary(ies)
- \* e. Approval of Resolution to Appoint University Commissioner to the Hotel Roanoke Conference Center Commission

# REPORT ON ACTIONS TAKEN UNDER THE DELEGATION OF AUTHORITY AND POLICY 4240 AND THE CORRESPONDING FINANCIAL AND PROGRAMMATIC IMPACTS \*

\*There have been no actions taken since the update provided at the March 2021 Finance and Resource Management Committee open session meeting.

# UPDATE ON ADVANCEMENT

CHARLES D. PHLEGAR, VICE PRESIDENT FOR  
ADVANCEMENT

APRIL 3, 2022

# GIVING RESULTS AS OF FEBRUARY 28, 2022

Comparison of February  
FY21 totals and current  
totals for FY22

	February FY21	February FY22
Campaign Total	\$797,436,355	<b>\$1.098 billion</b>
New Gifts & Commitments	\$96,295,065	<b>\$209,878,586</b>
Cash	\$98,940,049	<b>\$172,503,179</b>
Participation Rate (YTD)	15.10%	<b>18.62%</b>

# ADVANCEMENT UPDATES

Attachment G

- Giving Day Updates
- On track to reach 22% by 2022
- Sesquicentennial & Campaign Events
- Growth Model Updates



# DISCUSSION

---

---

---

## **Update on the Development of Tuition and Fee Rates for 2022-23**

### **FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

**March 24, 2022**

The university traditionally brings a tuition and fee rate recommendation to the Board of Visitors at the spring meeting each year. This process timeline is intended to be able to incorporate the outcome of the General Assembly session into the rate development process. Unfortunately, as of the writing of this report, the General Assembly has not yet completed the state budget; as a result, the university currently lacks information important to the development of tuition and fee rates. Consistent with this, the university is not bringing forward tuition and fee recommendations at the April 4<sup>th</sup> board meeting.

In anticipation of the traditional timeline, the university published a range of potential tuition and fee rate increases to the public on March 4<sup>th</sup>. A budget workshop and public comment session was held on March 22<sup>nd</sup> to review the proposed ranges and update the Board and public on the status of the budget process.

Tuition and fee rates are responsive to the level of state General Fund support and the costs approved by the legislature for the upcoming fiscal year. The 2022 General Assembly adjourned on March 12<sup>th</sup> without passing a final 2022-24 state budget. Legislators are expected to be called back to a Special Session by the Governor to complete work on the state budget soon. As soon as a final state budget is available, the university will finalize a tuition and fee recommendation to be reviewed by the Board of Visitors at an upcoming meeting.

*Presentation Date: April 3, 2022*

# Update on the Tuition and Fee Rate Development for 2022-23

KEN MILLER, VICE PRESIDENT OF FINANCE

APRIL 3, 2022



# Budget Background

---

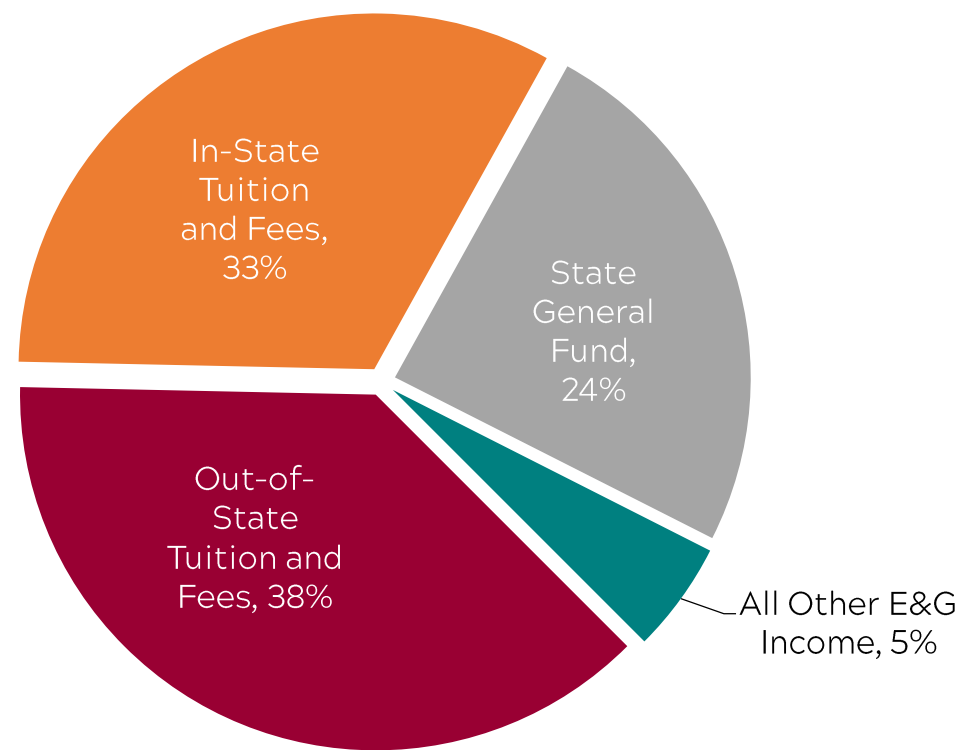
- The budget is a quantification of the university's strategic plan
- Multi-year planning to achieve institution's strategic goals
- Impacted by cost drivers
- Continuous review of operations and opportunity for efficiency enhancements to ensure maximization of existing resources
- Focus on student access and affordability

# Virginia Tech 2021-22 Budget (dollars in millions)

Attachment G

	State	In-State T&F	Out-of- State T&F	All Other E&G Income	Total
208 E&G	\$ 214.7	\$ 287.9	\$ 332.9	\$ 44.3	\$ 879.8
229 E&G	79.2			16.4	95.6
Student Financial Aid	25.0			13.3	38.3
Auxiliary Enterprises				355.7	355.7
Sponsored Programs	15.4			340.3	355.7
All Other Programs (UMA)	2.9			11.0	13.9
Total Public Resources	\$ 337.2	\$ 287.9	\$ 332.9	\$ 781.0	\$ 1,739.0
% of total	19%	17%	19%	45%	

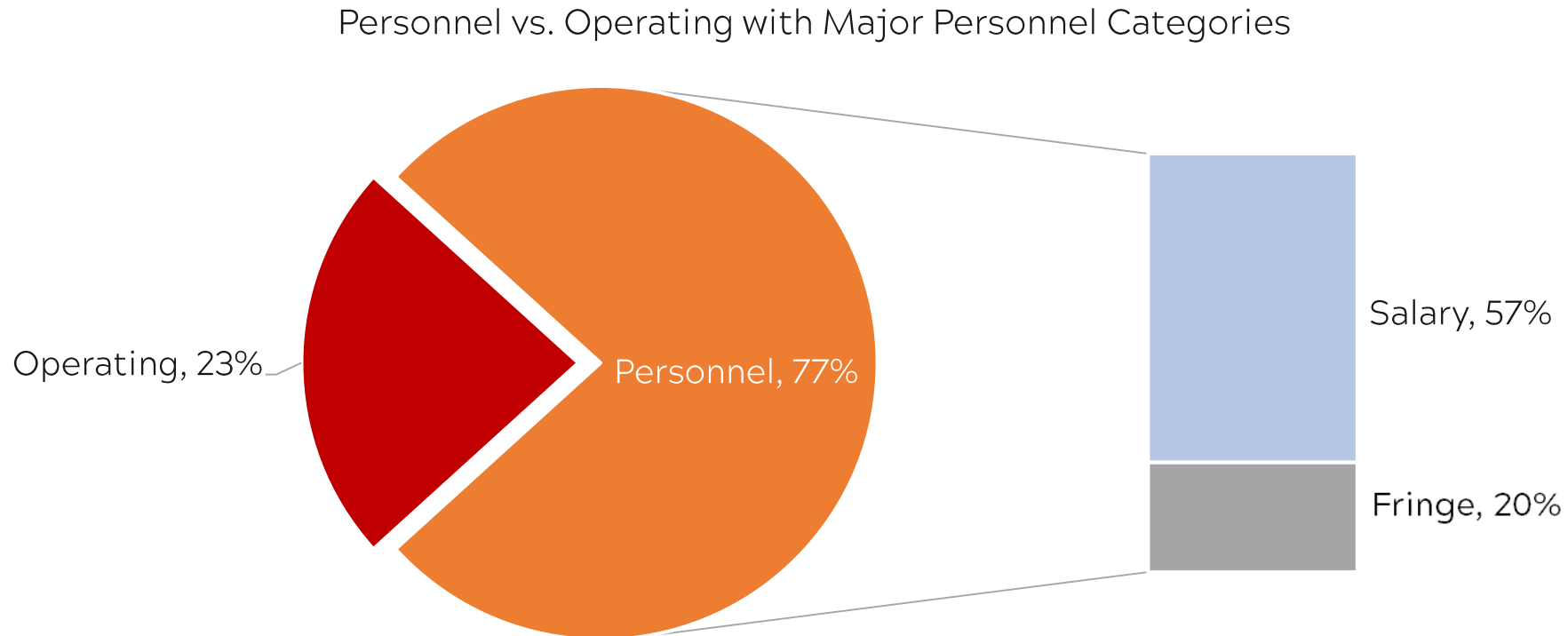
# University Division Educational & General Program 2021-22 Revenue Sources



Revenue Sources	\$ Millions	%
Out-of-State Tuition & Fees	\$ 332.9	38%
In-State Tuition & Fees	287.9	33%
State General Fund	214.7	24%
All Other E&G Income	44.3	5%
Total University Division E&G Revenue	\$ 879.8	100%

(Source: FY 2021-22 ABD Budget)

# University Division Educational & General Program 2021-22 Uses



- Most university costs are related to employee costs. The remaining 23% supporting operating costs are largely fixed non-discretionary costs.
- University budget is structurally balanced.

# Cost Driver Pools

## Inflation

- Compensation and benefits (market movement)
- Operating costs (utilities, leases, contracts)
- Purchasing power of Student Financial Aid

## Initiatives (Strategic and Impact Needs)

- Academic programs
- Expansion of access and affordability
- Attracting and retaining talented employees and students
- Enhancing quality and efficiency of operations



# Fund Sources

---

## Inflation

- General Fund for state share of costs and reducing tuition
- Tuition Rate

## Initiatives (Strategic and Impact Needs)

- General Fund for initiatives
- Net from Enrollment Growth
- Other Self-Generated Resources
- Reallocations



# STRATEGIC INVESTMENT PRIORITIES



# Overview of Initiatives

---

- Improve quality and access to a Virginia Tech education
- Contribute to the university's mission as a Global Land Grant institution
- Funded through variety of resources, sometimes over multiple years



# Overview of Initiatives

---

- Support strategic plan pillars
  - Advance Regional, National, and Global Impact
  - Elevate the Ut Prosim Difference
  - Be a Destination for Talent
  - Ensure Institutional Excellence

# Initiatives

## Strategic Initiatives

- Mission
  - Tech Talent Investment Program
  - Health & Biomedical Sciences
  - Integrated Security
- Enabling Infrastructure & Capacity
  - IT Transformation
  - Human Resources
- Advancing Critical Programs
  - Athletics
  - Advancement
  - Affordability and Accessibility

## Impact Needs

- University Wide
  - Climate Action Commitments
  - Campus Accessibility
  - Campus Culture and Climate
  - Facilities Renewal
  - Inclusive VT \*
- Student Services Needs
- Senior Management Area Critical Needs

\* Inclusion initiative spans across other initiatives



# Multi-Year E&G Planning Requests (dollars in millions)

Attachment G

STRATEGIC VISION		FY23	FY24	FY25	FY26	FY27	TOTAL
Initiatives: Mission	Tech Talent Investment Program – Innovation Campus	\$0.0	\$3.5	\$13.6	\$7.6	\$4.3	\$29.0
	Health & Biomedical Sciences	6.1	4.9	4.8	2.6	2.1	20.5
	Integrated Security	1.0	0.7	0.4	0.4	0.4	2.9
Initiatives: Enabling Infrastructure & Capacity	IT Transformation	6.6	4.9	3.3	2.7	2.5	20.0
	Human Resources	0.6	0.3	0.3	0	0	1.2
Initiatives: Advancing Critical Programs	Athletics (supplant scholarship funding)	0.6	0.6	0.5	0.5	0.5	2.7
	Advancement *	0.5	0.5	0.5	0.5	0.5	2.5
	Access and Affordability	1.5	1.6	3.3	3.6	3.8	13.8
Impact Needs	University Wide - Climate Action Commitments	0.2	2.0	0	0	0	2.2
	University Wide - Campus Accessibility	1.0	1.0	1.0	1.0	1.0	5.0
	University Wide - Campus Culture & Climate	0.6	0.5	0.5	0.5	0.5	2.6
	University Wide - Facilities Renewal	1.8	1.8	1.8	1.8	1.8	9.0
	University Wide – Wage/Salary Increase to \$15/hour	2.1	0	0	0	0	2.1
	Support for Destination Area Initiative	0.2	0.6	0.9	0.9	1.0	3.6
	VT Carilion School of Medicine (VTCsOM)	0.5	0.4	0.3	0.3	0.3	1.8
	Incremental Support for Academic Maintenance (PIBB Colleges)	2.1	2.1	2.1	2.1	2.1	10.5
	Improving Academic Quality (PIBB Colleges)	3.3	3.3	3.3	3.3	3.3	16.5
	Critical Needs	6.2	6.2	6.2	6.2	6.2	31.0
Initiative & Impact Needs Total		\$34.9	\$34.9	\$42.8	\$34.0	\$30.3	\$176.9

\* The Advancement budget has several components that are funded in part by the university and in part by the Virginia Tech Foundation. The above includes funding for only the core development/fundraising costs to be paid by the university.

# Auxiliary Enterprise Student Service Needs

---

- Health Services: additional staff for student well being & inclusion, embedded counselors, intervention & recovery, sexual violence prevention mental health, and testing
- Transportation: increased local match requirement, bus replacement, fuel inflation, and market impact on labor rates to ensure driver availability
- Student Engagement & Campus Life: student well-being event programming and event production support staff
- Cultural & Community Centers: Assistant directors and expansion of programming
- Intercollegiate Athletics: support costs increases
- Dining Services: food cost inflation and facilities
- Residence Halls: well-being & inclusion staff, microwave-refrigerators, residence hall furniture renewal, living learning community program growth, AEDs, and facilities



# ALIGNMENT OF RESOURCES WITH INFLATIONARY AND INITIATIVE COSTS



# 2022-23 Budget Development

---

- Resources are aligned with Inflationary and Initiative cost drivers, as appropriate
- Without a final state budget, costs and resources are not yet known
- Current budget development process utilizes the range of scenarios understood from the House and Senate budget proposals as of crossover
  - Subject to change

# 2022-23 E&G Inflationary Cost Drivers

	<i>\$s in Millions</i>		
	GF	NGF	Total
<b><u>State Assigned Costs</u><sup>(1)</sup></b>			
5% State Faculty, Staff, and Graduate Assistant Compensation	\$ (11.9)	\$ (17.6)	\$ (29.5)
Virginia Military Survivors and Dependents Tuition Waiver		(1.4)	(1.4)
Employee Fringe Benefits	(0.5)	(1.2)	(1.7)
<b><u>Other Inflationary Costs</u></b>			
Promotion and Tenure		(1.0)	(1.0)
Fixed Cost Increases: Electricity, Insurance, Leases, Fuels	(0.1)	(2.7)	(2.8)
Subscription Inflation: Library Journals/Collection, Software		(0.7)	(0.7)
Operations & Maintenance of New Facilities <sup>(2)</sup>	(0.8)	(0.7)	(1.5)
<b>Subtotal Inflationary Costs</b>	<b>\$ (13.3)</b>	<b>\$ (25.3)</b>	<b>\$ (38.6)</b>

(1) State assigned costs represent the range of scenarios proposed by the House and Senate.

(2) O&M for Data and Decision Sciences, Corps Leadership and Military Sciences

# 2022-23 Resources to Support Inflation

	<i>\$s in Millions</i>		
	GF	NGF	Total
<u>Inflationary Costs</u> (from prior slide)	\$(13.3)	\$(25.3)	\$(38.6)
<u>Resources</u>			
General Fund Share of Compensation and Fringe Benefits <sup>(1)</sup>	12.5		12.5
General Fund Support for Operations & Maintenance <sup>(1)</sup>	0.8		0.8
General Fund Support for Access and Affordability <sup>(1,2)</sup>	9.8 - 14.3		9.8 - 14.3
Tuition Rate Increase (2.9% placeholder) <sup>(3)</sup>		15.8	15.8
(less) Financial Aid Maintenance (FFF, Mgt Agreement)		(2.1)	(2.1)
Subtotal Resources			\$36.8 - 41.3
Net Resources after Inflationary Costs			\$ (1.8) - 2.7

(1) Represents the range of scenarios proposed by the Senate and House.

(2) House Access & Affordability support is net of removal of incremental state fellowship support in this presentation for simplicity.

(3) Tuition increase of 4.5% would have been required to generate sufficient NGF revenue to cover state cost drivers without proposed state support of \$9.8 million for Access & Affordability.

# 2022-23 Resources to Support Initiatives

	<i>\$s in Millions</i>
	<u>Total</u>
Undergraduate Enrollment Growth	\$ 16.7
Graduate Enrollment Growth	5.3
Special Session Enrollment Growth & Misc.	5.4
(less) Instructional Cost of Growth	(7.8)
(less) Gilbert St. Lease (space for growth)	(3.3)
(less) Student Access and Affordability (aid for growth)	(2.5)
General Fund Recognition for Tech Talent Undergraduate	1.0
Reallocations of Existing Resources	0.7
Auxiliary Enterprise Indirect Cost Recoveries Growth	1.2
Net from Prior Slide on Inflation <sup>(1)</sup>	(1.8) - 2.7
Range of Resources to Support Initiatives <sup>(1)</sup>	<u>\$ 14.9 - 19.4</u>

*(1) Subject to change based on the final outcome of the General Assembly.*

# University Budget Process

---

- University budget process is underway
- Final decisions will not be made until May/June
- University planning has identified priority initiatives with order of magnitude
- Vision currently exceeds resource capacity, and will need to be refined



## Next Steps

---

- House and Senate are in the process of reconciling budget differences
  - As a result, state cost drivers are not yet finalized
  - General Fund support could change
- 2022-23 Tuition and Fee rates can be set once state budget actions are understood

# DISCUSSION

---

---

---

# Approval of 2022-23 Compensation for Graduate Assistants

KEN MILLER, VICE PRESIDENT FOR FINANCE

TIM HODGE, ASSOCIATE VICE PRESIDENT FOR  
BUDGET AND FINANCIAL PLANNING

APRIL 3, 2022



# BACKGROUND

Attachment G

Graduate Assistants provide valuable services to the university, including teaching and support of scholarly and research activities.

Successful recruitment of high quality graduate students requires the university to offer competitive compensation packages.

## Components of Total Compensation Package

- Stipend
- Stipend Supplement
- Tuition assistance
- Health insurance benefit

# STIPEND

Attachment G

1. Base stipend scale provides a range of stipend amounts reflective of differing levels of responsibility
  - Current stipend scale has 50 pay ranges to ensure flexibility to the university programs
2. Fixed stipend supplement (established in FY12 to help offset university assigned costs such as the health fee)

As of January 2022, the current average monthly stipend for full-time graduate assistants is \$2,262 per month.

# TUITION ASSISTANCE

Attachment G

Tuition Assistance includes remission of tuition, mandatory E&G fees, and non-executive graduate program fees.

Funded through 4 sources:

1. General Fund appropriation for graduate assistance
2. Tuition remission in the Educational and General budget
3. Tuition payments planned in the budgets of externally sponsored grants and contracts
4. Private funds

# HEALTH INSURANCE

Attachment G

- Health insurance for graduate students on assistantships was established in 2001
- To qualify, full-time graduate students must have a 50 percent or greater assistantship appointment
- In 2021-22, the university provided 88 percent of the \$3,343 annual premium cost to 2,168 graduate students
  - The 88 percent subsidy matches the university's share of other employee health insurance programs
- Graduate students may decline coverage

# Current Events

Attachment G

- Graduate assistants provide valuable service
- The advancement of the university mission depends on the success of graduate assistants
- Markets are moving, living costs are subject to inflation
- The president has asked the Provost and Dean of the Graduate School to convene a task force to develop recommendations for providing competitive compensation for graduate student assistants.

# GRADUATE ASSISTANT COMPENSATION PLAN FOR 2022-23

Attachment G

- 5.0 percent base stipend increase effective August 10, 2022.
- Maintain current academic year stipend supplement of \$458 to help mitigate university assigned costs.
- Continue university share of health insurance coverage at 88 percent.
- Continue the tuition remission program.

## RECOMMENDATION

That the graduate assistant compensation program for 2022-23 be approved.

April 4, 2022

# Summary of the University's Annual Financial Report

## FINANCE AND RESOURCE MANAGEMENT COMMITTEE

February 23, 2022

Fiscal year 2021 represented another successful year in advancing Virginia Tech's strategic plan. The university implemented a portfolio of strategies to close the COVID-19 operating gap, including expenditures savings, cost controls, and improving cash flow by restructuring debt. Despite the uncertainty and challenges of the public health crisis, the university's financial stability, proactive financial management, and resilient culture enabled the university to conclude fiscal year 2021 financially stronger.

The university published its Annual Financial Report (Attachment A) in January 2022 for the fiscal year ended June 30, 2021. The report contains the university's financial statements and required disclosures. It also includes the independent auditor's report on financial statements and report on internal control over financial reporting and on compliance and other matters. The Commonwealth of Virginia Auditor of Public Accounts conducted the audit beginning May 14, 2021 and concluding November 5, 2021, with the following results.

### Summary of Audit Results

- Unmodified audit opinion (*formerly called an unqualified audit opinion*)
- No material weaknesses in internal controls
- The report included one written comment with management's response and the anticipated corrective action completion date:
  - Improve reporting timeliness of enrollment data to the National Student Loan Data System (April 30, 2022)
- A second written comment with management's response and the anticipated corrective action completion date subsequently issued and included in the Student Financial Assistance Programs Cluster Special review issued February 4, 2022:
  - Improve compliance over enrollment reporting (August 1, 2024)

## Assets, Liabilities, and Net Position at June 30, 2021 and 2020

(all dollars in millions)

	2021	2020	Change	
			Amount	Percent
Current assets	\$ 391.0	\$ 307.7	\$ 83.3	27.1 %
Capital assets, net	2,043.2	1,936.1	107.1	5.5 %
Other assets	787.2	645.6	141.6	21.9 %
<b>Total assets</b>	<b>3,221.4</b>	<b>2,889.4</b>	<b>332.0</b>	<b>11.5 %</b>
Deferred outflows of resources	142.8	120.0	22.8	19.0 %
Current liabilities	292.7	333.3	(40.6)	(12.2)%
Non-current liabilities	1,172.3	1,057.9	114.4	10.8 %
<b>Total liabilities</b>	<b>1,465.0</b>	<b>1,391.2</b>	<b>73.8</b>	<b>5.3 %</b>
Deferred inflows of resources	85.1	104.2	(19.1)	(18.3)%
Invested in capital assets, net	1,519.8	1,437.6	82.2	5.7 %
Restricted	251.6	211.9	39.7	18.7 %
Unrestricted	42.7	(135.5)	178.2	131.5 %
<b>Total net position</b>	<b>\$ 1,814.1</b>	<b>\$ 1,514.0</b>	<b>\$ 300.1</b>	<b>19.8 %</b>

The balance sheet shows positive results for fiscal year 2021 with the following key indicators:

**Total assets increased by \$332.0 million, or 11.5 percent.** Current assets rose by \$83.3 million, due mainly to an \$85.6 million increase in cash and cash equivalents due to decreases in spending and other pandemic mitigation strategies. Noncurrent assets grew by \$248.7 million, reflecting the ongoing construction of research and instructional facilities and the capitalization of completed facilities.

**Total liabilities increased by \$73.8 million, or 5.3 percent.** Current liabilities category decreased by \$40.6 million, due mainly to a \$32.7 million decrease of in temporary funding for capital projects. Noncurrent liabilities increased \$114.4 million, driven by net issuances of \$94.0 million in long-term debt and a \$55.0 million increase in the pension liability. Scheduled long-term debt repayments of \$34.8 million partially offset the increases in noncurrent liabilities.

**Total net position increased by \$300.1 million, or 19.8 percent.** Net investment in capital assets increased by \$82.2 million, reflecting continued investments in new facilities and equipment to support the university's mission. Unrestricted net position increased by \$178.2 million (131.5 percent) due to the recovery of the investment markets and the prudent management of fiscal resources.

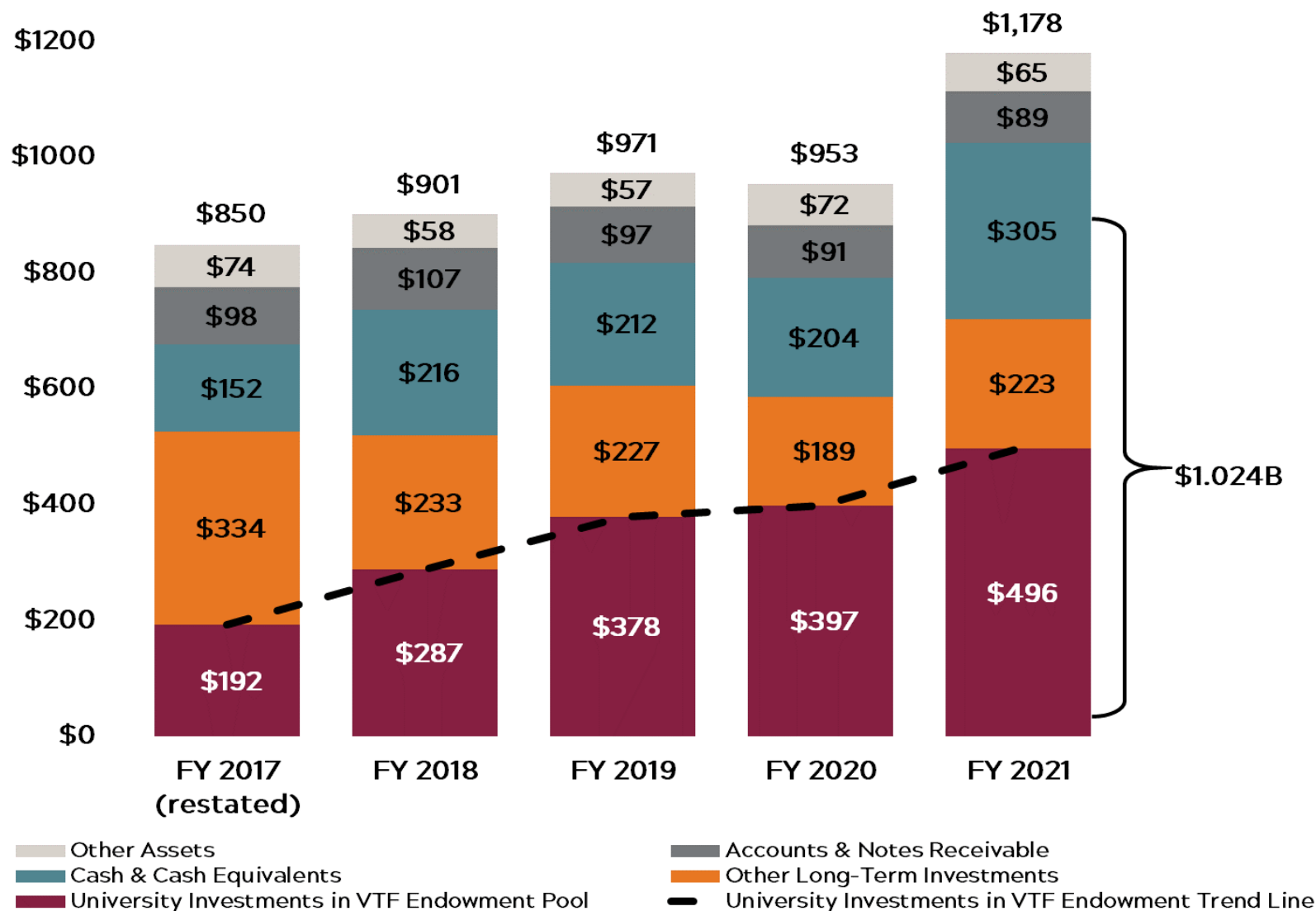


## Composition of Current and Noncurrent Assets, Excluding Capital Assets

Showing the Strategy to Move Cash and Cash Equivalents to Long-Term Investments at VTF

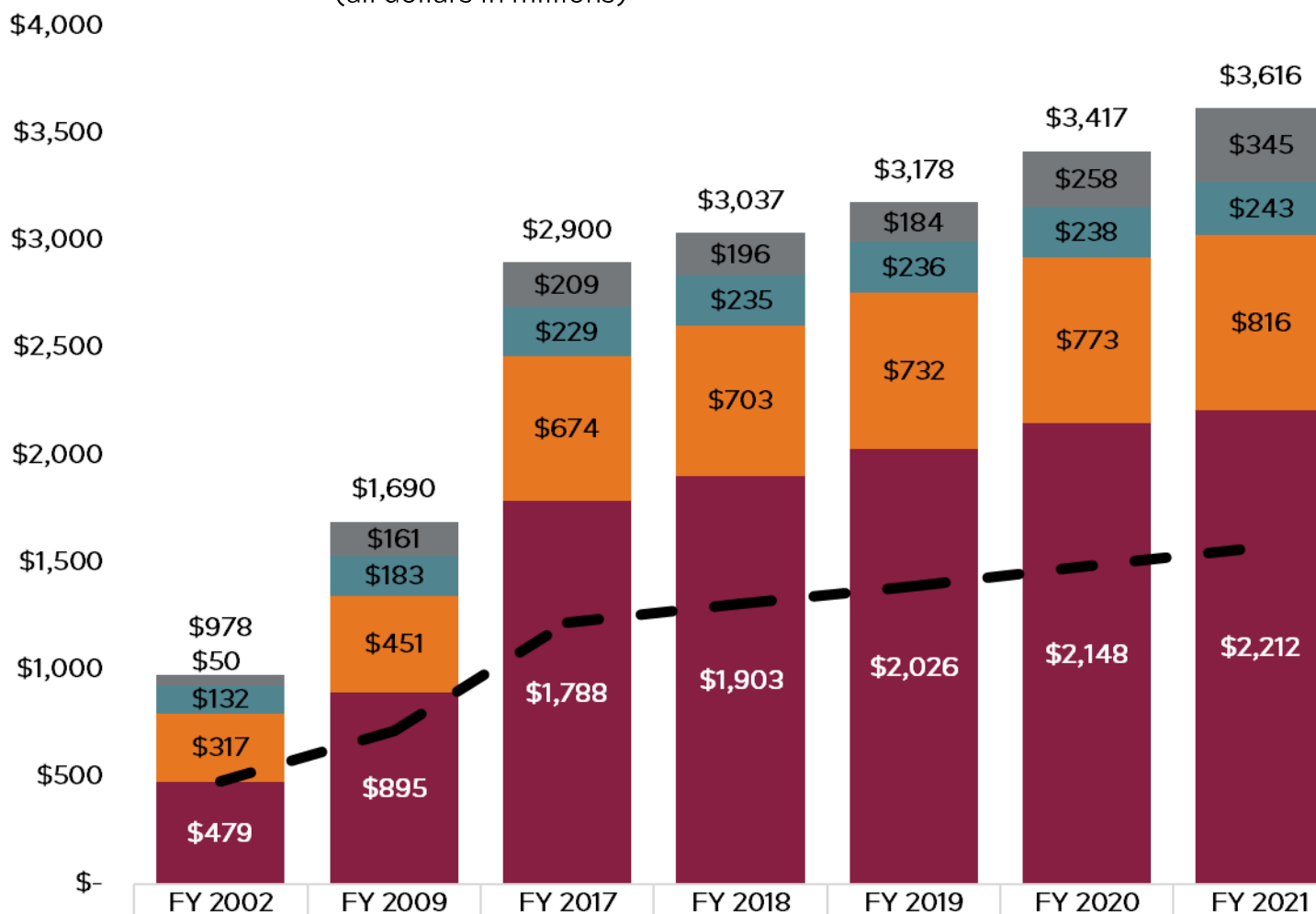
For the years ended June 30, 2017 - 2021

(all dollars in millions)



## Ongoing Investments in Capital Assets

Growth in Capital Assets from FY 2002 to FY 2021  
(all dollars in millions)



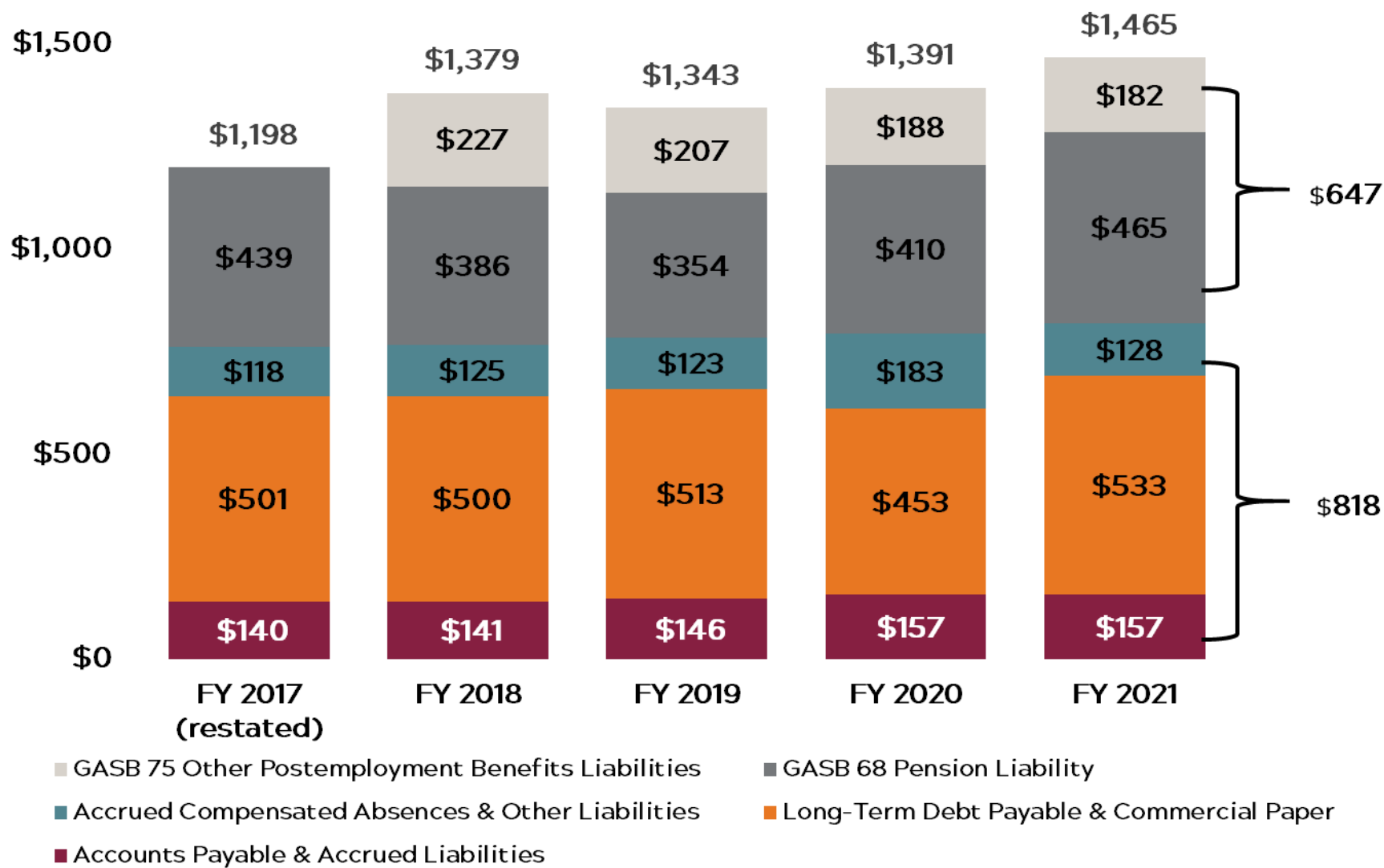
	FY 2002	FY 2009	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Land & Construction in Progress	50	161	209	196	184	258	345
Infrastructure, etc. - Gross	132	183	229	235	236	238	243
Equipment - Gross	317	451	674	703	732	773	816
Buildings- Gross	479	895	1,788	1,903	2,026	2,148	2,212
Total Capital Assets - Gross	978	1,690	2,900	3,037	3,178	3,417	3,616
Total Accumulated Depreciation	479	718	1,220	1,306	1,391	1,481	1,573

## Composition of Current and Noncurrent Liabilities

Showing the Impact of Accounting Pronouncements GASB 68 and 75 (Pension & OPEB)

For the years ended June 30, 2017 - 2021

(all dollars in millions)



## Trends in Net Position

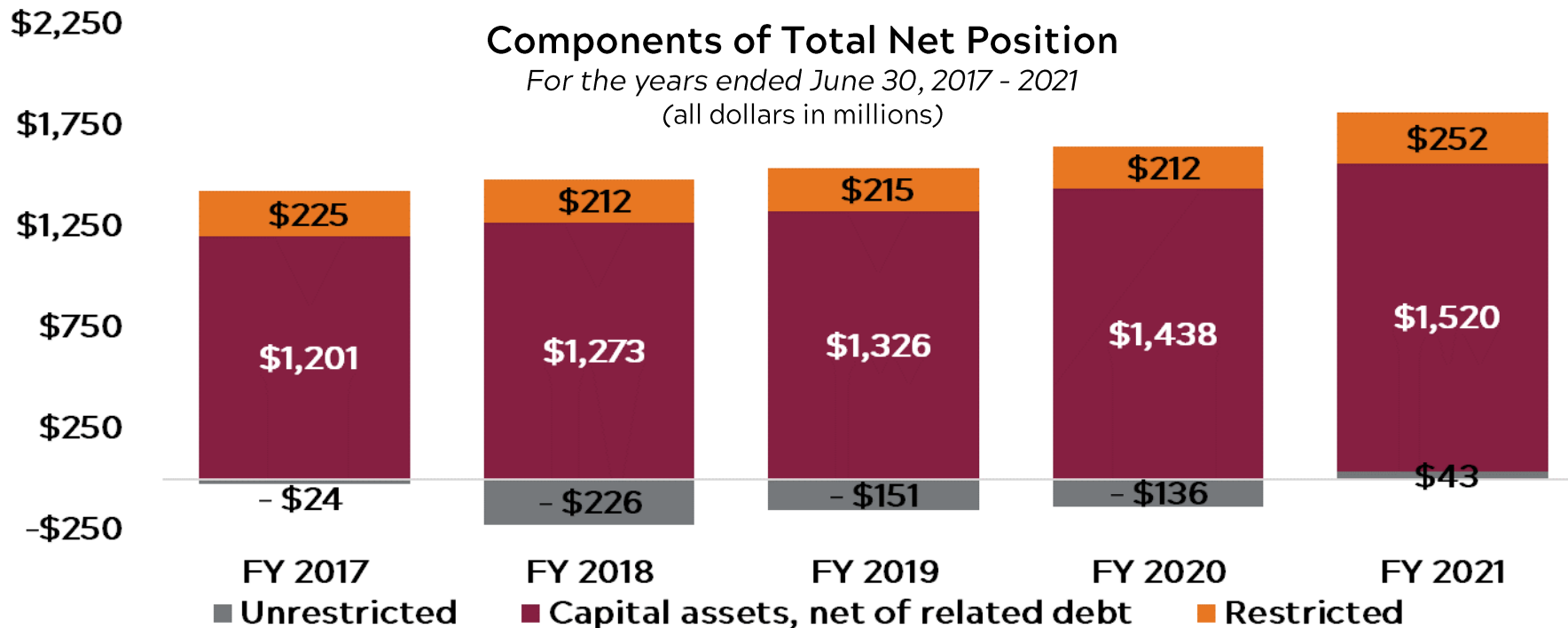
For the years ended June 30, 2017 - 2021  
(all dollars in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Capital assets, net of related debt	\$ 1,201.3	\$ 1,273.2	\$ 1,326.1	\$ 1,437.6	\$ 1,519.7
Restricted, nonexpendable	11.9	14.4	14.0	12.6	14.9
Restricted, expendable					
Capital projects	39.7	11.5	6.2	3.0	7.2
Other	173.0	186.5	194.7	196.4	229.6
Unrestricted	(23.5)	(226.4)	(150.7)	(135.6)	42.7
<b>Total Net Position</b>	<b>\$ 1,402.4</b>	<b>\$ 1,259.4</b>	<b>\$ 1,390.2</b>	<b>\$ 1,514.0</b>	<b>\$ 1,814.1</b>

Adjusted Unrestricted Net Position  
Excluding the Impact of GASB  
Pronouncements Related to Pensions  
and OPEB

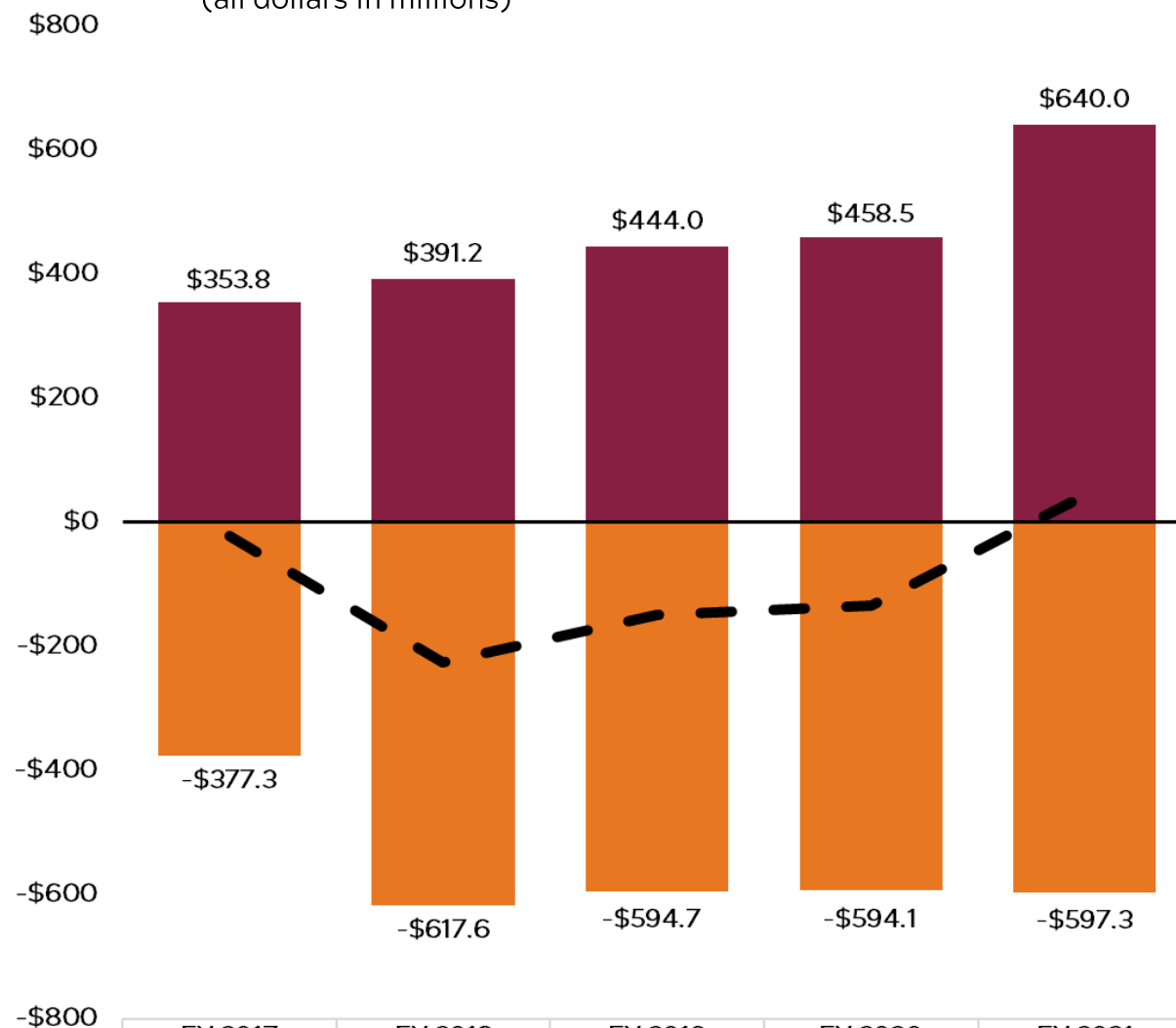
\$ 353.8	\$ 391.2	\$ 444.0	\$ 458.5	\$ 640.0
----------	----------	----------	----------	----------

Exhibit 6



## Unrestricted Net Position

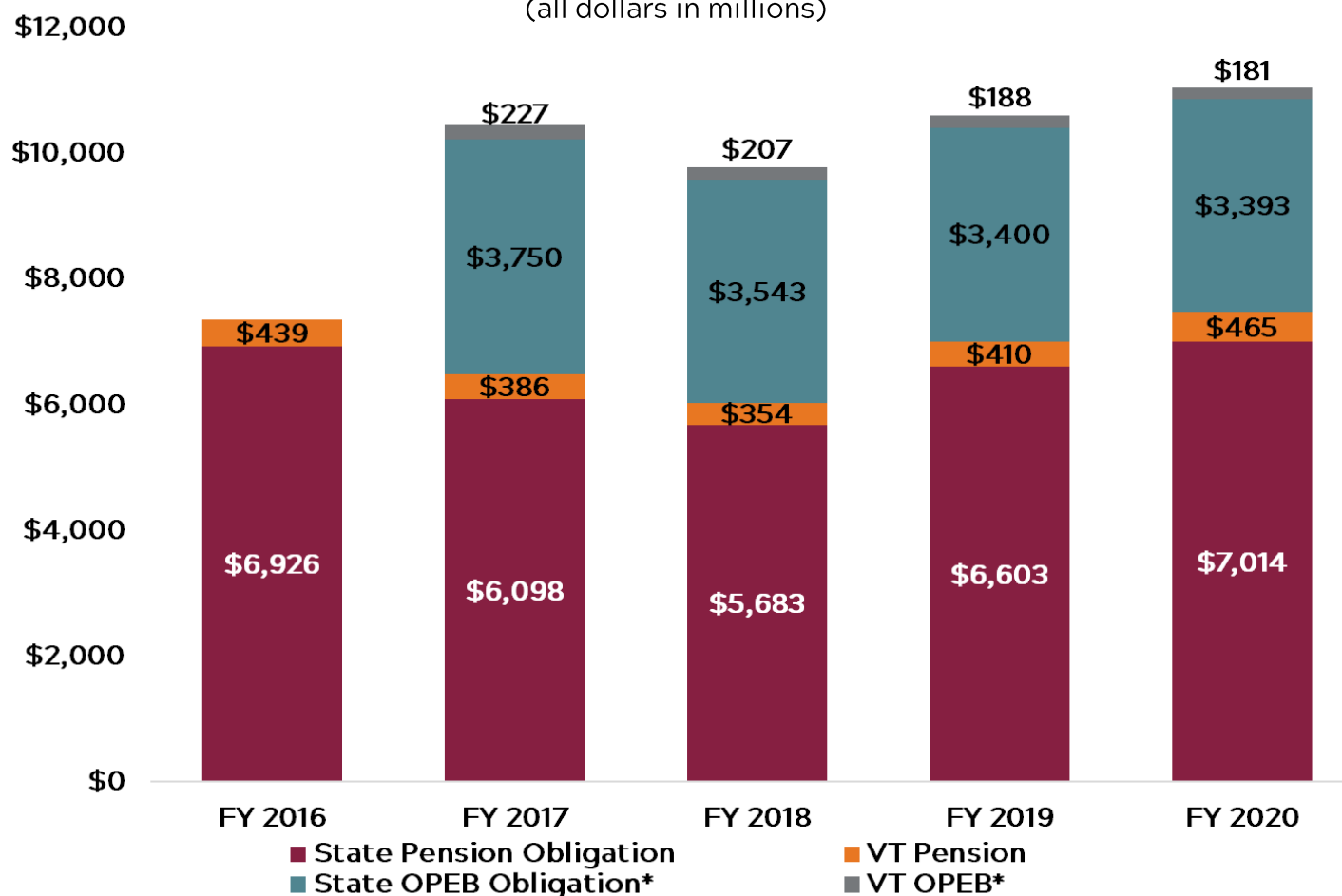
Composition of Totals Reported in the Audited Financial Statements  
For the years ended June 30, 2017- June 30, 2021  
(all dollars in millions)



	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Net Position without GASBs 68 & 75	\$353.8	\$391.2	\$444.0	\$458.5	\$640.0
Impact of GASBs 68 (FY 2015) & 75 (FY 2018 & FY 2019)	-\$377.3	-\$617.6	-\$594.7	-\$594.1	-\$597.3
Net Position with GASBs 68 & 75	-\$23.5	-\$226.4	-\$150.7	-\$135.6	\$42.7

## Virginia Tech's Share of the Commonwealth's Total Obligation for GASB 68 for Defined Benefit Pension Plans and GASB 75 for OPEB

For the years ended June 30, 2016 - 2020  
(all dollars in millions)



\*Percentages vary for each plan. The Pre-Medicare Retiree Healthcare program amount is imputed.

Measurement dates for pension and OPEB amounts will always be one year in arrears from the financial statement dates. Therefore, the pension and OPEB information in the university's fiscal year 2021 financial statements reflect activity and balances for fiscal year 2020. As shown above, there are large annual fluctuations in these obligations, and the university has no control over these movements. Most of the pension and OPEB's impact on expenses and net position is deferred to future periods.

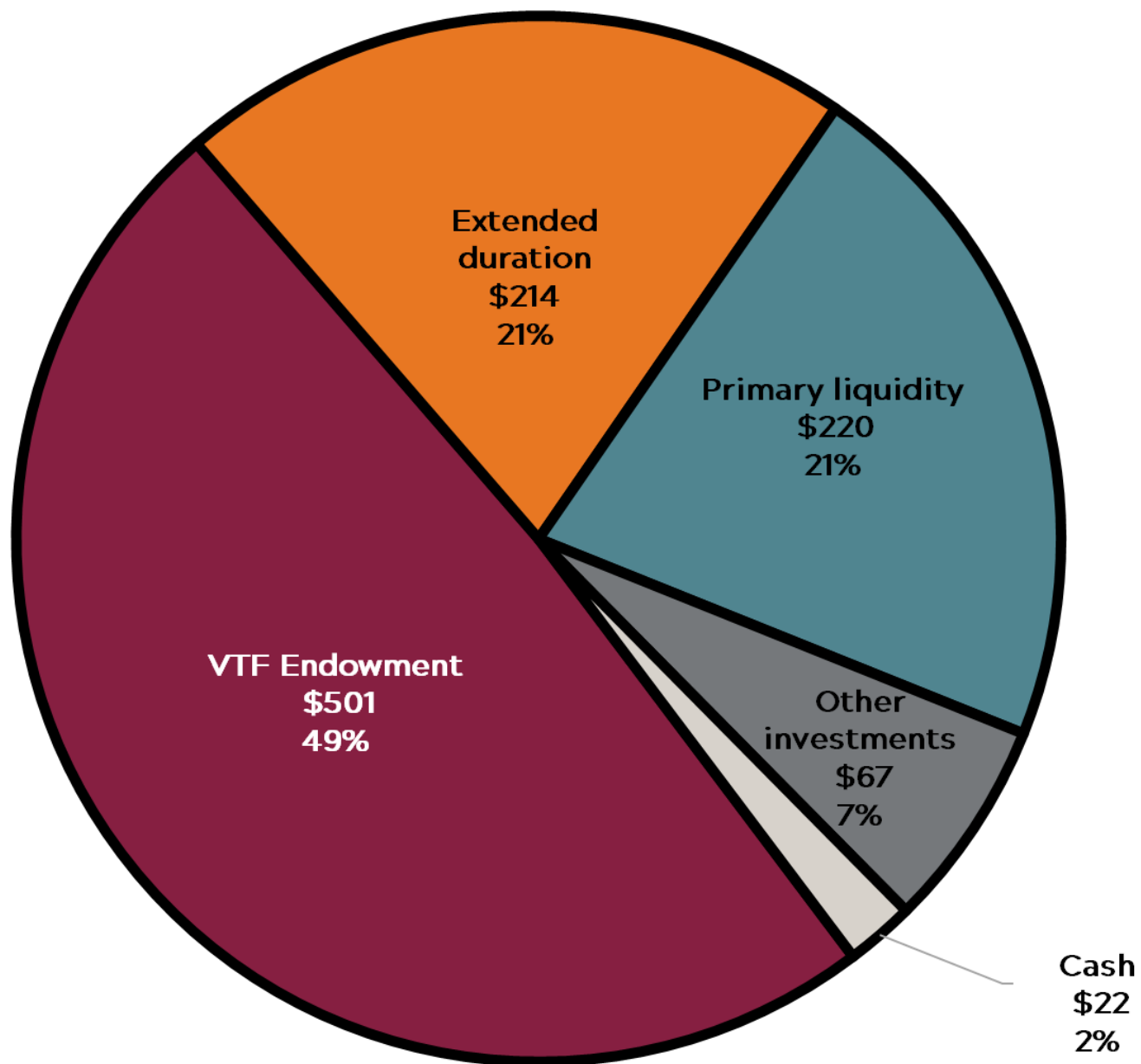
## Summary Schedule of Cash and Investments Totals

Composition of Totals Reported in the Audited Financial Statements at June 30, 2021 and 2020  
(all dollars in millions)

Financial Statement Totals	Totals at June 30, 2021			Totals at June 30, 2020	Change in Totals
	Current Assets	Noncurrent Assets	Total Cash & Investments	Total Cash & Investments	
Cash	\$ 6.9	\$ 14.9	\$ 21.8	\$ 11.6	\$ 10.2
Cash equivalents (< 90 days)	266.5	12.7	279.2	189.1	90.1
Total cash & cash equivalents	273.4	27.6	301.0	200.7	100.3
Short-term investments (>90 days <= 1 year)	\$ -	\$ 3.7	\$ 3.7	\$ 3.7	\$ -
Long-term investments (> 1 year)					
Invested in the VTF endowment pool		495.6	495.6	397.0	98.6
Invested with other investment managers		223.5	223.5	188.7	34.8
Total long-term investments	\$ -	\$ 719.1	\$ 719.1	\$ 585.7	\$ 133.4
Grand totals cash & investments	\$ 273.4	\$ 750.4	\$ 1,023.8	\$ 790.1	\$ 233.7

## Schedule of Cash and Investments by Investment Pool - \$1.024 Billion

From the Totals Reported in the Audited Financial Statements for FY 2021  
(all dollars in millions)





## University Liquidity Summary

For the year ended June 30, 2021  
(all dollars in millions)

	<u>Actual</u>	<u>Target</u>	<u>Excess/(Deficit)</u>
<b>Amounts</b>			
Internal liquidity	\$ 501.8	\$ 199.6	\$ 302.2
External liquidity	190.0	199.6	(9.6)
Total liquidity	<u>\$ 691.8</u>	<u>\$ 399.2</u>	<u>\$ 292.6</u>
<b>Days</b>			
Internal liquidity	113	45	68
External liquidity	43	45	(2)
Total liquidity	<u>156</u>	<u>90</u>	<u>66</u>

The university finished fiscal year 2021 with a strong liquidity position due to the many efforts the university made to conserve resources with cost containment and create capacity with debt restructuring. Additionally, strong support from the commonwealth and the federal government helped further preserve the university's liquidity levels. The university will continue to leverage its strong liquidity to support the pandemic recovery, return to normal spending levels, and bolster the university's credit rating for the impact of upcoming debt issuances.

## Summary of Revenues, Expenses, and Changes in Net Position

For the years ended June 30, 2021 and 2020  
(all dollars in millions)

	2021	2020	Change	
			Amount	Percent
Operating revenues	\$ 1,162.3	\$ 1,188.8	(26.5)	(2.2)%
Operating expenses	1,513.5	1,549.7	(36.2)	(2.3)%
Operating loss	(351.2)	(360.9)	9.7	(2.7)%
State appropriations	302.3	303.8	(1.5)	(0.5)%
Other non-operating revenues and expenses	218.8	77.0	141.8	184.2 %
Non-operating revenues and expenses	521.1	380.8	140.3	36.8 %
Income before other revenues and expenses	169.9	19.9	150.0	753.8 %
Other revenues, expenses, gains, or losses	130.2	101.1	29.1	28.8 %
Increase in net position	300.1	121.0	179.1	148.0 %
Net position - beginning of year	1,514.0	1,393.0	121.0	8.7 %
Net position - end of year	\$ 1,814.1	\$ 1,514.0	\$ 300.1	19.8 %

**Operating loss:** Under GASB reporting, public universities will always show an operating loss because state appropriations, gifts, and investment income are all considered non-operating revenues.

## Increase (Decrease) in Revenue

For the years ended June 30, 2021 and 2020  
(all dollars in millions)

	2021	2020	Change	
			Amount	Percent
<b>Operating revenues</b>				
Student tuition and fees, net	\$ 581.6	\$ 575.9	\$ 5.7	1.0 %
Grants and contracts	326.7	322.3	4.4	1.4 %
Auxiliary enterprises	222.2	264.1	(41.9)	(15.9)%
Other operating revenues	31.7	26.5	5.2	19.6 %
<b>Total operating revenues</b>	<b>1,162.2</b>	<b>1,188.8</b>	<b>\$ (26.6)</b>	<b>(2.2)%</b>
<b>Non-operating revenues</b>				
State appropriations	302.3	303.8	(1.5)	(0.5)%
Other non-operating revenues	218.8	77.0	141.8	184.2 %
<b>Total non-operating revenues</b>	<b>521.1</b>	<b>380.8</b>	<b>140.3</b>	<b>36.8 %</b>
<b>Other revenues</b>				
Capital grants and gifts	128.0	101.0	27.0	26.7 %
Loss on disposal of capital assets	2.3	0.1	2.2	2,200.0 %
<b>Total other revenues, gains</b>	<b>130.3</b>	<b>101.1</b>	<b>29.2</b>	<b>28.9 %</b>
<b>Total revenue</b>	<b>\$ 1,813.6</b>	<b>\$ 1,670.7</b>	<b>\$ 142.9</b>	<b>8.6 %</b>

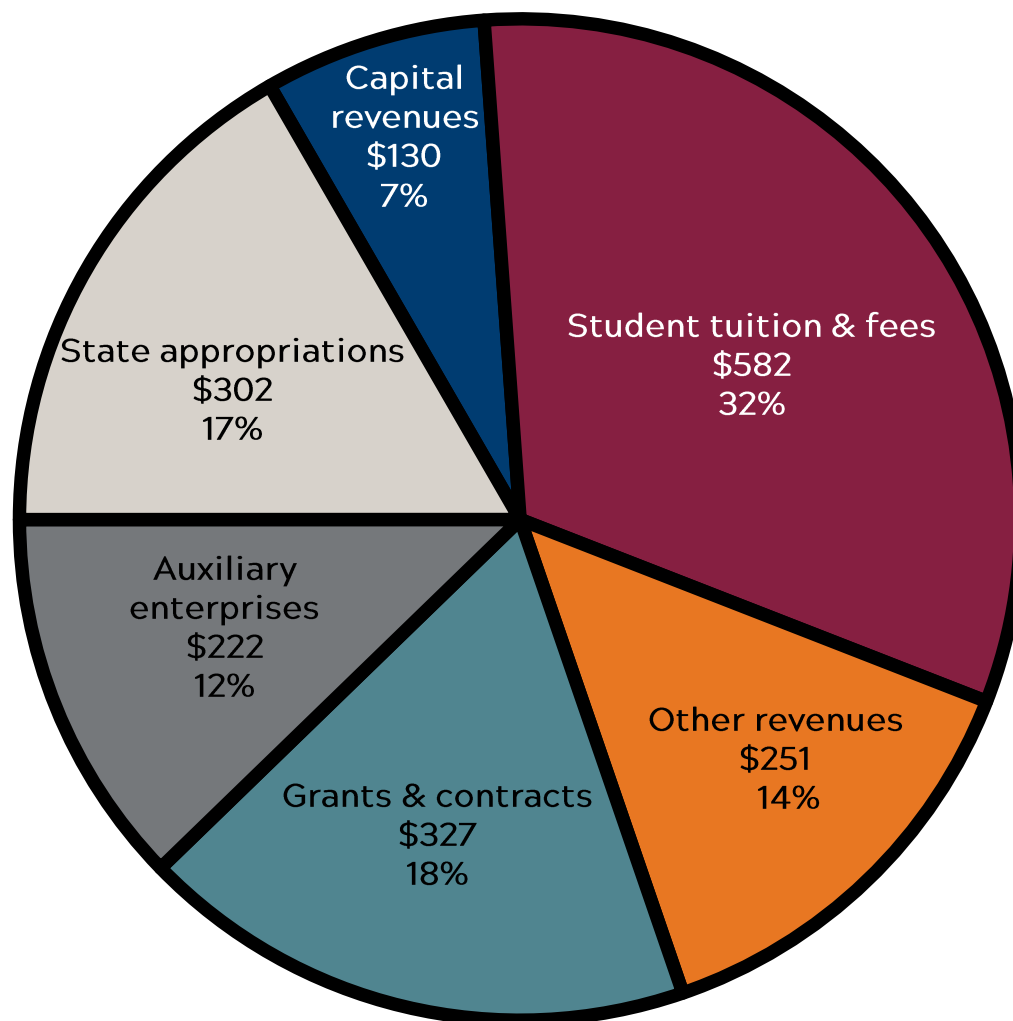
**Operating revenue decreased by \$26.6 million, or 2.2 percent.** This decline came primarily from auxiliary revenues (\$41.9 million) due to the pandemic effects, especially on the athletics and dorm and dining programs. This decrease was partially offset by increases in student tuition and fees (\$5.7 million), sponsored grants and contracts (\$4.4 million), and other operating revenue (\$5.2 million).

**Non-operating revenue increased by \$140.3 million, or 36.8 percent.** The rebound of the investment markets resulted in significant realized and unrealized investment gains. Total investment earnings increased \$116.1 million over prior year and contributed significantly to the increase in non-operating revenues. In addition, COVID-19 relief funds rose by \$23.8 million and further bolstered non-operating revenues.

**Total other revenue and gains grew by \$29.2 million, or 28.9 percent.** Capital grants and gifts comprised a significant portion of the change, increasing \$27 million over prior year.

## Total Revenue by Source - \$1.814 Billion

For the year ended June 30, 2021  
(all dollars in millions)



## Changes in Operating Expenses by Function

For the years ended June 30, 2021 and 2020  
(all dollars in millions)

	2021	2020	Change	
			Amount	Percent
Instruction	\$ 425.9	\$ 426.0	\$ (0.1)	\$ (0.0)
Research	330.8	343.2	(12.4)	(3.6)
Public service	89.1	98.5	(9.4)	(9.5)
Auxiliary enterprises	206.3	236.2	(29.9)	(12.7)
Depreciation and amortization	112.9	109.2	3.7	3.4
Subtotal	1,165.0	1,213.1	(48.1)	(4.0)%
<u>Support, maintenance, and other expenses</u>				
Academic support	105.9	106.4	(0.5)	(0.5)%
Student services	25.6	26.0	(0.4)	(1.5)%
Institutional support	92.9	81.7	11.2	13.7 %
Operations and maintenance of plant	92.0	91.9	0.1	0.1 %
Student financial assistance*	32.1	30.6	1.5	4.9 %
Subtotal	348.5	336.6	11.9	3.5 %
Total operating expenses	\$ 1,513.5	\$ 1,549.7	\$ (36.2)	(2.3)%

Auxiliary enterprises experienced the largest decrease (\$29.9 million) predominately in the athletic and dorm and dining programs.

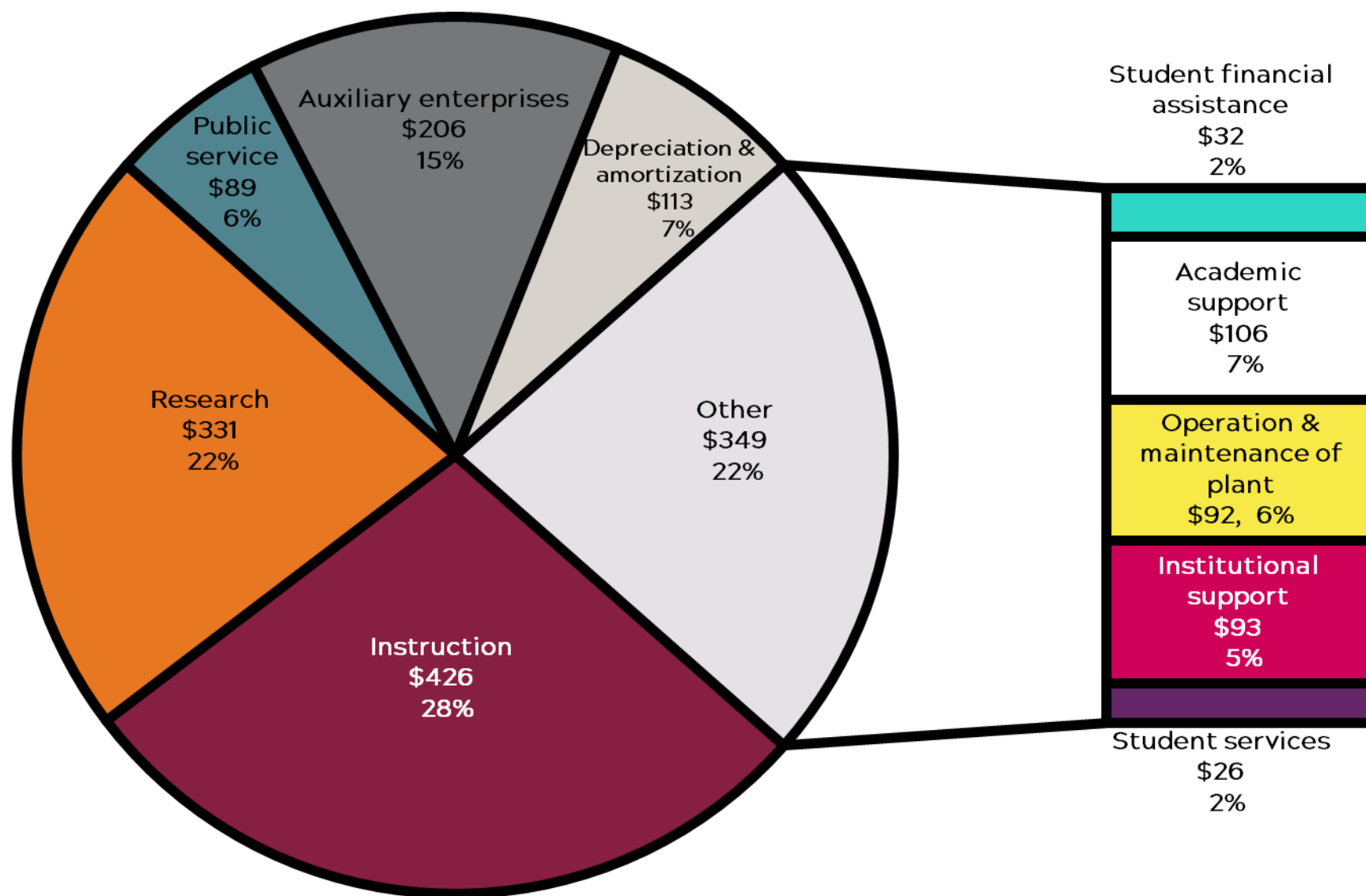
Research expenditures decreased by \$12.4 million.

Public service expenditures saw a decline of \$9.4 million.

Institutional support was the only area that saw a significant increase (\$11.2 million). This growth was largely due to the partial reduction of the auxiliary indirect cost allocation charge which was authorized by the state and done to provide relief to the auxiliaries.

## Summary of Expenses by Function - \$1.514 Million

For the year ended June 30, 2021  
(all dollars in millions)



## Changes in Expenses by Natural Classification

For the years ended June 30, 2021 and 2020  
(all dollars in millions)

	2021	2020	Change	
			Amount	Percent
Compensation and benefits	\$ 1,004.5	\$ 1,003.8	\$ 0.7	0.1 %
Contractual services	124.2	125.5	(1.3)	(1.0)%
Supplies and materials	80.6	84.1	(3.5)	(4.2)%
Travel	10.6	40.8	(30.2)	(74.0)%
Other operating expenses	93.6	100.0	(6.4)	(6.4)%
Scholarships and fellowships*	54.2	52.0	2.2	4.2 %
Sponsored program subcontracts	32.9	34.3	(1.4)	(4.1)%
Depreciation and amortization	112.9	109.2	3.7	3.4 %
<b>Total operating expenses</b>	<b>\$ 1,513.5</b>	<b>\$ 1,549.7</b>	<b>\$ (36.2)</b>	<b>(2.3)%</b>

\*Includes loan administrative fees and collection costs.

Compensation and benefits comprised of \$1,004.5 million, or 66.4 percent, of the university's total operating expenses. This category increased minimally by \$0.7 million, or 0.1 percent. Generally, changes to expenses in this category come from three sources: increases or reductions in the number of personnel, annual salary increases, and the general trends in the costs of fringe benefits. The benefits section is affected by the changes in the actuarially calculated expenses for the OPEB and pension programs.

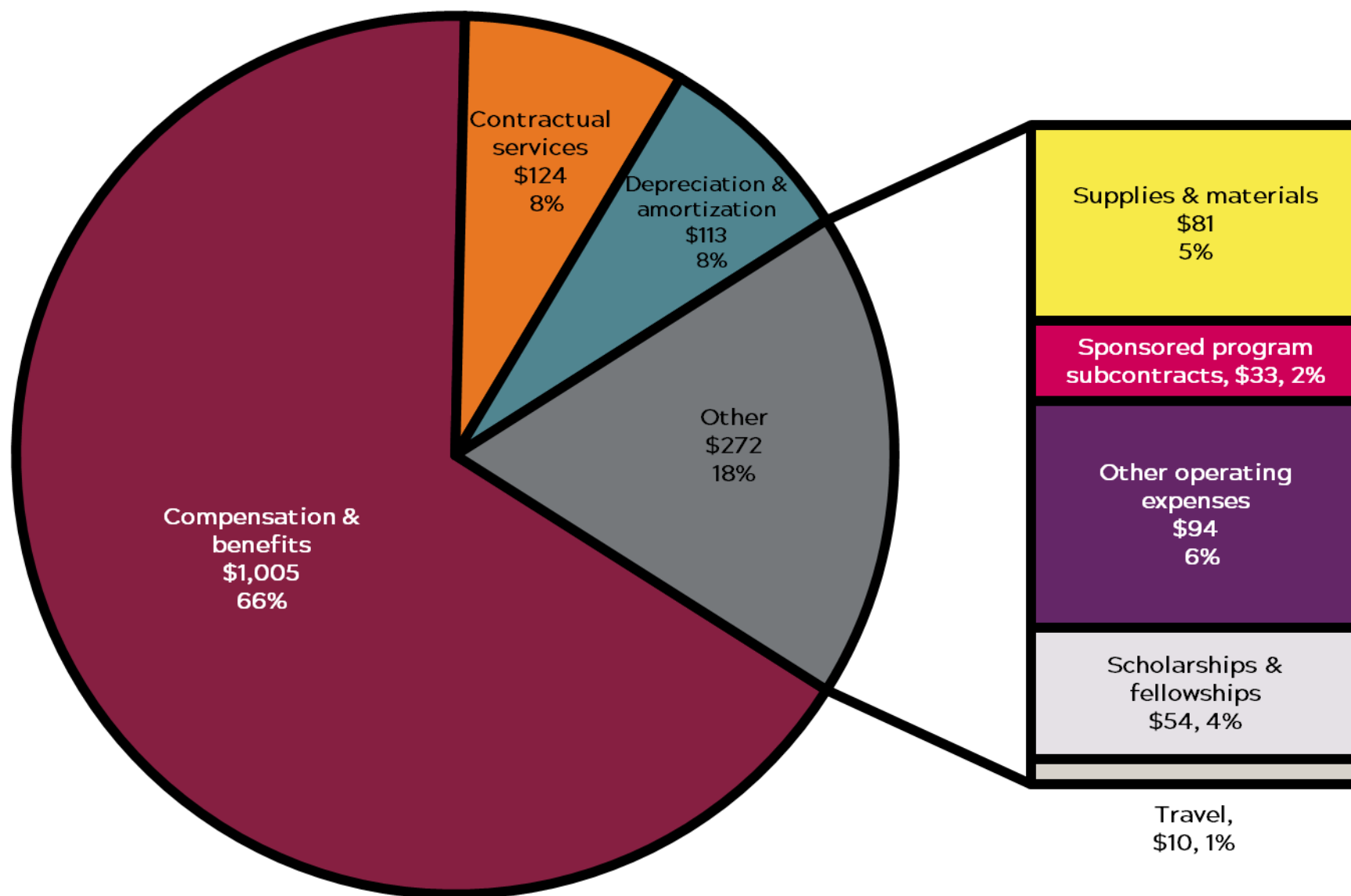
Depreciation and amortization saw an increase of \$3.7 million.

Travel experienced the most significant decline due to pandemic-related travel restrictions, decreasing 30.2 million, or 74.0 percent.

Almost all other categories experienced pandemic-related pandemic decreases resulting from a hiring freeze and other restrictions on spending.

## Total Expenses by Natural Classification - \$1.514 Billion

For the Year Ended June 30, 2021  
(all dollars in millions)





## Measuring the Overall Level of Financial Health

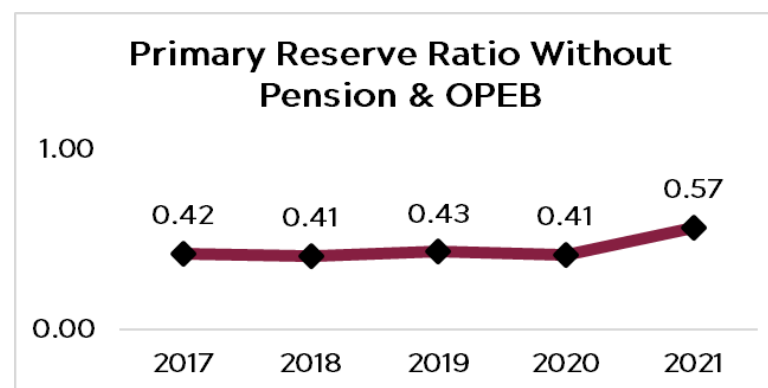
For the years ended June 30, 2016 - 2021

The overall health of the university can be measured by focusing on available resources and the returns generated from those resources. This analysis answers whether the institution has sufficient resources and whether they use those resources to support the mission and strategic direction of the institution.

The Composite Financial Index (CFI) combines four core ratios by assigning various weights to generate an aggregate score for financial strength and stability. These ratios: Primary Reserve ratio, Viability ratio, Net Operating Revenues ratio, and Return on Net Position ratio provide for an understanding of the institutions available resources and results of current operations, which when applied to certain benchmark factors generates a score from one to ten indicating strength of the institution.

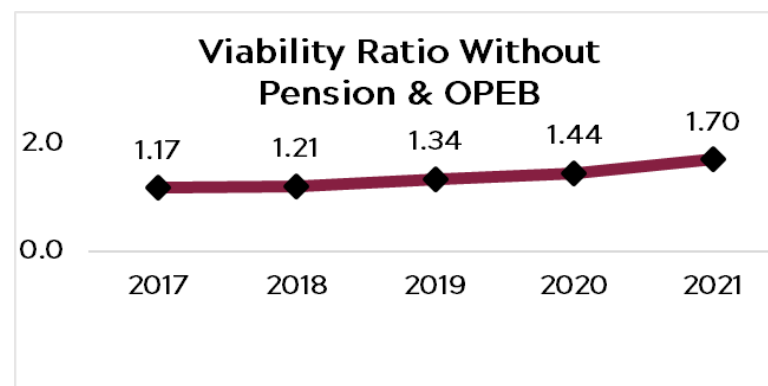
$$\text{Primary Reserve Ratio} = \frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$

- Primary reserve ratio provides a snapshot of the financial strength and flexibility of an institution.
- The accepted benchmark for this ratio is 0.40.<sup>i</sup>



$$\text{Viability Ratio} = \frac{\text{Expendable Net Assets}}{\text{Long - Term Debt}}$$

- Viability ratio measures the availability of expendable net position to cover long-term debt and indicates whether an institution can assume new debt.
- A benchmark ratio of 1.0 or greater indicates sufficient expendable resources to cover outstanding debt obligations.

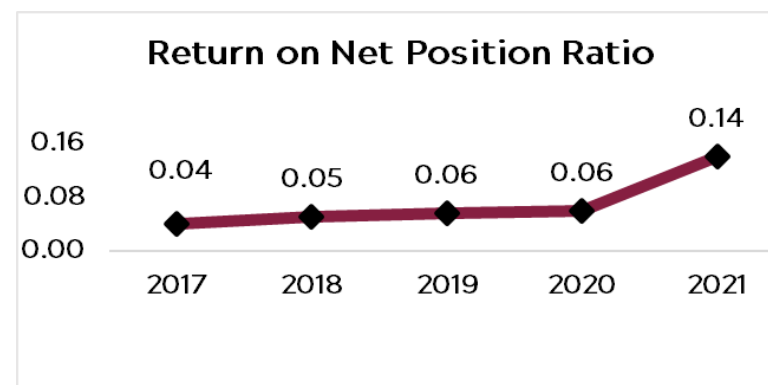
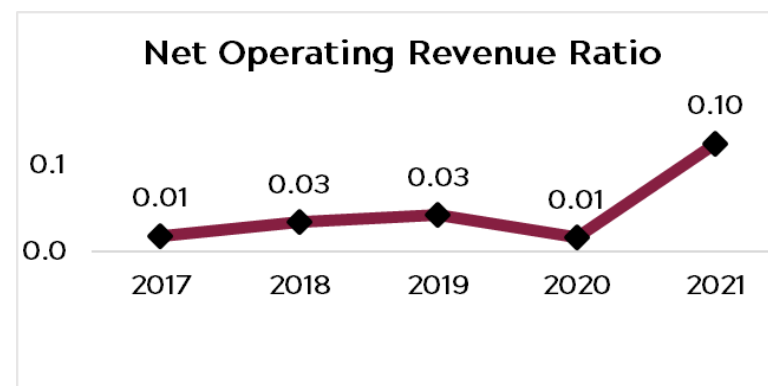


$$\text{Net Operating Revenues Ratio} = \frac{(\text{Net income} - \text{Capital Revenues})}{\text{Noncapital Revenues}}$$

- The net operating revenues ratio indicates whether an organization is living within its available resources.
- The nature of investing activities can result in significant volatility in this ratio and contributes to the need to analyze the results of this ratio over several fiscal years.
- The decrease in the FY20 ratio is a result of effects of the pandemic on auxiliary revenues and investment losses.
- The increase in the FY21 ratio is a result of the rebound of the investment market.

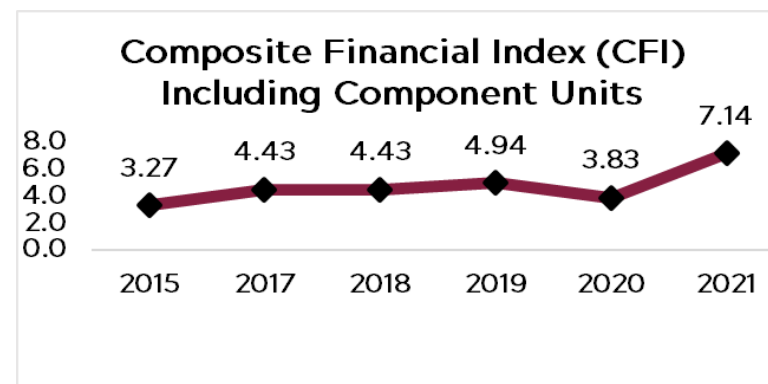
$$\text{Return on Net Position Ratio} = \frac{\text{Change in Net Assets}}{\text{Total Net Assets}}$$

- Return on net position answers whether the university is achieving a positive economic return on its investment of resources.
- There is generally not a fixed benchmark and a higher return on net position indicates a stronger year of financial performance.



The four ratios above provide an understanding of the university's available resources and results of current operations, which when applied to certain benchmark factors generates the CFI.

- A benchmark score of 3.0 generally indicates that an institution is financially healthy.
- The consolidated CFI includes financial data at year-end for the Virginia Tech Foundation, a component unit in VT's financial statement.



## Long-Term Debt Payable Activity

as of June 30, 2021  
(all dollars in millions)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable					
Section 9(c) general obligation revenue bonds	\$ 105.6	\$ 105.6	\$ 22.4	\$ 188.8	\$ 11.0
Section 9(d) revenue bonds	52.2	35.0	2.6	84.6	2.6
Notes payable	219.2	65.3	118.9	165.6	6.5
Capital lease obligations	75.8	1.5	4.8	72.5	4.0
<b>Total long-term debt payable</b>	<b><u>\$ 452.8</u></b>	<b><u>\$ 207.4</u></b>	<b><u>\$ 148.7</u></b>	<b><u>\$ 511.5</u></b>	<b><u>\$ 24.1</u></b>
Current year debt defeasance		(113.4)	(113.9)		
Total additions and retirements, net of current year defeasance		<u>\$ 94.0</u>	<u>\$ 34.8</u>		

Debt ratio for fiscal year 2021 was 3.29 percent with a long-term debt liability of \$511.5 million.

The current portion of long-term debt payable decreased by \$8.0 million due to a “scoop and toss” refunding strategy that refunded current year principal payments to be repaid in future years.

The university defeased \$113.9 million of long-term debt in fiscal year 2021. This amount is greater than usual and reflects the university and the commonwealth's strategies to provide operating capacity through debt strategies for the pandemic and take advantage of historically-low borrowing rates. The university issued \$33.3 million of 9(d) revenue bonds to refund \$32.8 million of notes payable. The university and the Commonwealth of Virginia, on behalf of the university, issued \$13.1 million of 9(c) general obligation revenue bonds to refund \$13.5 of 9(c) general obligation revenue bonds, and issued \$65 million of notes payable to refund \$66 million of notes payable. The resulting net gain of \$870,000 will be amortized over the life of the new debt. For financial reporting purposes, these bonds are considered an in-substance defeasance and have therefore been removed from the long-term debt payable line item of the *Statement of Net Position*.

In addition to the refunding activities, the university issued \$84.3 million for the Creativity and Innovation District. The principal amount and premium (\$7.7 million) comprised \$92.0 million of the university's net additions to long-term debt.

## GASB 87 Leases Effective FY 2022

Estimated Financial Statement Impact as of June 30, 2021  
(all dollars in thousands)

The university reported a debt ratio of 3.29 percent for fiscal year 2021, with a long-term debt liability of \$512 million. A change in accounting standards (GASB Statement 87) recognizing long-term lease obligations will require restating this liability in fiscal year 2022. The university anticipates recognizing \$79 million of long-term leases and an average increase of 1.10 percentage points to the projected debt ratio as of July 1, 2021.

GASB 62 Long-Term Debt, Capital Leases		GASB 87 Long-Term Debt, Long-Term Leases	
Capital lease obligations	\$ 72,547	Long-term lease liability (reclassified former capital lease obligations)	\$ 72,547
Operating lease commitments	-	Estimated Long-term lease liability (recognized former operating lease commitments)	79,390
Total long-term debt, capital leases	<u>\$ 72,547</u>	Total long-term debt, long-term leases	<u>\$ 151,937</u>
GASB 62 Operating Lease Commitments Note Disclosure Only		GASB 87 Short-term Lease Commitments	
Operating lease commitments	<u>\$ 88,522</u>	Short-term lease commitments	No Disclosure

## Changes Due to the Implementation of GASB 87 Leases

Effective FY 2022

### Old Reporting Method - GASB 62

1. Capital Leases: capitalize lease payments as a capital asset. Amortize interest expense and depreciate capital asset over life of the lease.
  - Transfer of ownership,
  - Bargain purchase option,
  - Lease term  $\geq$  75% asset life, OR
  - Present value lease payments  
 $\geq$  90% asset value
2. Operating Leases: recognize lease expense as payments made.
  - Not a capital lease

### New Reporting Method - GASB 87

1. Long-Term Leases: capitalize lease payments as an intangible right-to-use asset. Amortize interest expense and intangible right-to-use asset over life of the lease.
  - Maximum possible term at commencement exceeds 12 months,
  - Non-cancelable for at least one party, AND
  - Present value of lease payments  
 $\geq$  \$50K
2. Short-Term Leases: recognize lease expense as payments made.
  - Not a long-term lease

**Sponsored Programs**  
For the years ended June 30, 2017 - 2021  
(all dollars in millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Number of awards received	2,423	2,533	2,364	2,391	2,328
Value of awards received	\$ 304.3	\$ 336.8	\$ 323.7	\$ 367.7	\$ 349.3
Research expenditures reported to NSF	\$ 522.4	\$ 531.6	\$ 542.0	\$ 556.3	\$ 542.0
NSF Rank	46	48	48	49	Unavailable

## Student Financial Aid

For the years ended June 30, 2017 - 2021

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
<u>Number of students receiving selected types of financial aid</u>					
Loans	12,430	12,947	13,075	13,267	13,140
Grants, scholarships, and waivers	18,746	19,493	19,484	20,548	20,606
Employment opportunities	11,201	11,193	12,717	12,430	9,747
<u>Total amounts by major category (all dollars in millions)</u>					
Loans	\$ 171.4	\$ 181.3	\$ 191.9	\$ 200.2	\$ 202.4
Grants, scholarships, and waivers	203.6	215.6	227.7	243.5	251.0
Employment opportunities	87.2	89.5	92.3	94.7	94.4
Total financial aid*	<u>\$ 462.2</u>	<u>\$486.4</u>	<u>\$ 511.9</u>	<u>\$538.4</u>	<u>\$ 547.8</u>

## HEERF Emergency Grants to Students

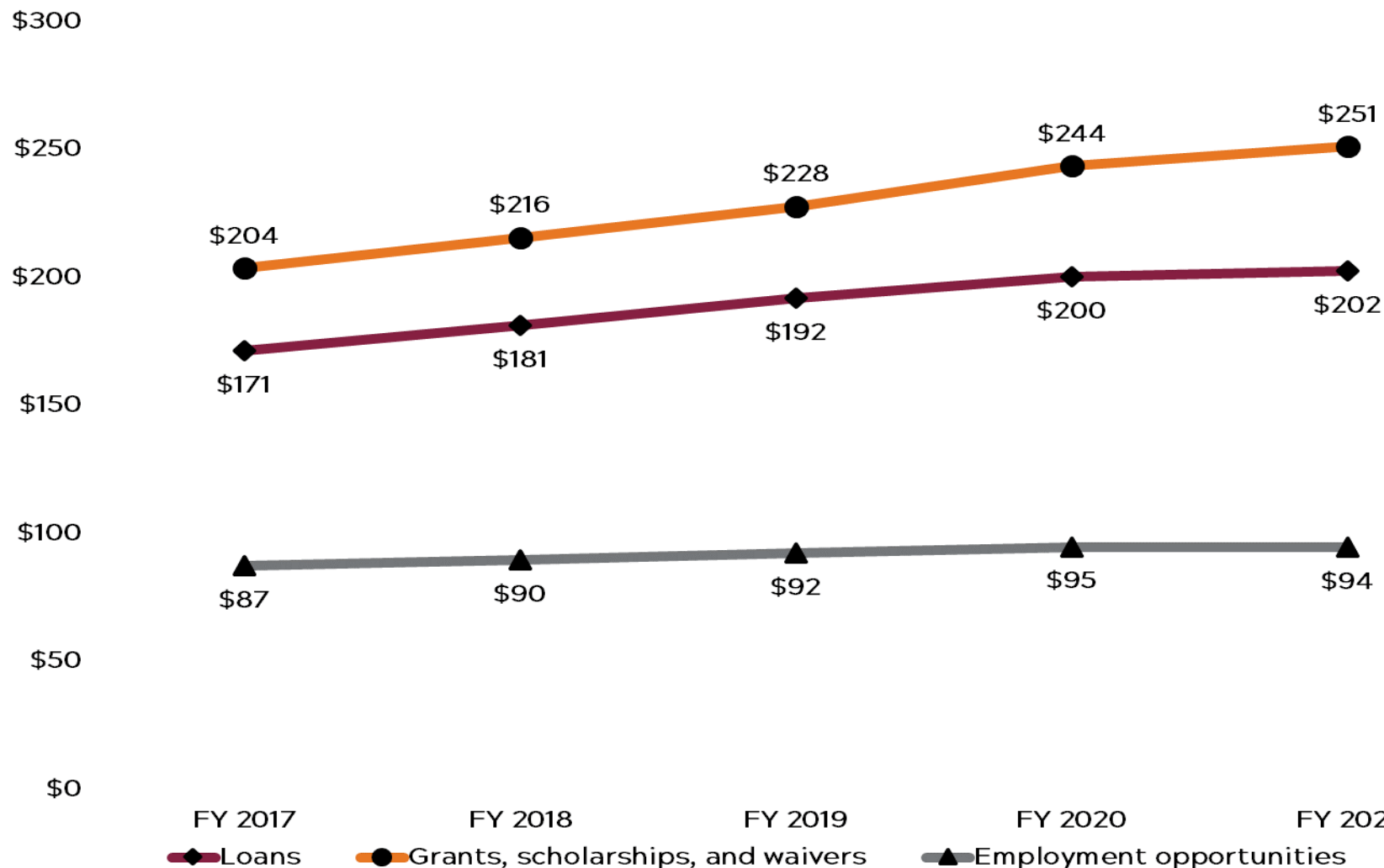
Student Portion Funds

	CARES HEERF I <hr/> FY 2020	CRRSAA HEERF II <hr/> FY 2021	ARP HEERF III <hr/> FY 2022
Year funds primarily distributed			
Award amount	\$9,699,494	\$9,699,494	\$24,850,725
Emergency financial aid grants	\$9,699,494	\$9,699,494	\$24,850,725
Emergency financial aid recipients	12,084	9,415	
Status	Complete	Complete	Complete



## Student Financial Aid

For years ended June 30, 2017 - 2021  
(all dollars in millions)



48 percent of the undergraduate Virginia Tech Class of 2021 carried an average student loan debt of \$31,220. National data on the class of 2021 is not yet available. However, over the last several years, the university has consistently had a lower proportion of Virginia resident student borrowers than the national average and a comparable overall average debt level.

**Conclusion:**

Despite a challenging financial landscape, the university continues to make progress on several fronts, including the following:

- Continued investment in facilities supporting the university's strategic plan with the prudent use of debt financing.
- Strong student demand – the university continues to have growth in applications and the successive improvements of overall quality and diversity of each entering class.
- The university continues to assess the lowest non-instructional mandatory charge of any public four-year institution in Virginia, directing 84 percent of a resident undergraduate's mandatory charges towards the instructional mission.
- Virginia Tech's NSF research ranking was 49th in 2020.
- Continued growth in unrestricted net position from operating and non-operating activities which partially offset the impact of GASB 68 in 2014-15 and GASB 75 in 2017-18 for pension liabilities and other postemployment benefits.

---

<sup>i</sup>Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC 2010, Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, Seventh Edition, 2010,  
[https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC\\_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf](https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf)

# University's Annual Financial Report

KEN MILLER, VICE PRESIDENT FOR FINANCE

MELINDA WEST, ASSOCIATE VICE PRESIDENT FOR  
FINANCE & UNIVERSITY CONTROLLER

APRIL 3, 2022

# Successful Audit & Strong Financial Position

Strong revenue sources



Aa1 and AA Credit Rating



3.29% Debt Ratio



Target AA- or Better

Target 5% or Below\*



Unmodified audit opinion



No material weakness  
involving internal controls



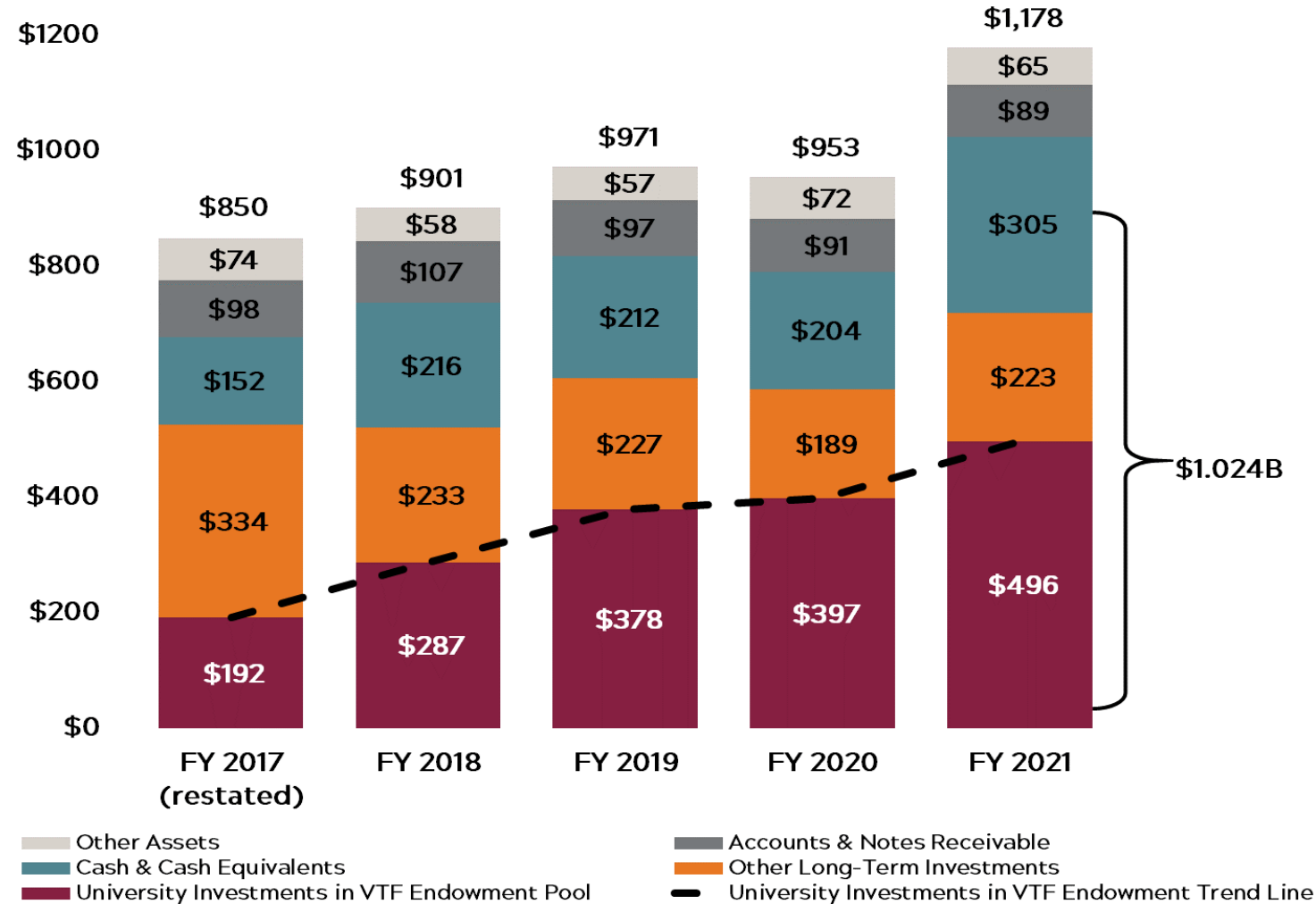
Two minor written  
comments

\*Debt ratio target ceiling moved to 6 percent beginning in FY22 at November 2021 Board meeting.

# Composition of Current and Noncurrent Assets Excluding Capital Assets

## Showing the Strategy to Move Cash and Cash Equivalents to Long-term Investments at VT Foundation

For the years ended June 30, 2017 - 2021  
(all dollars in millions)

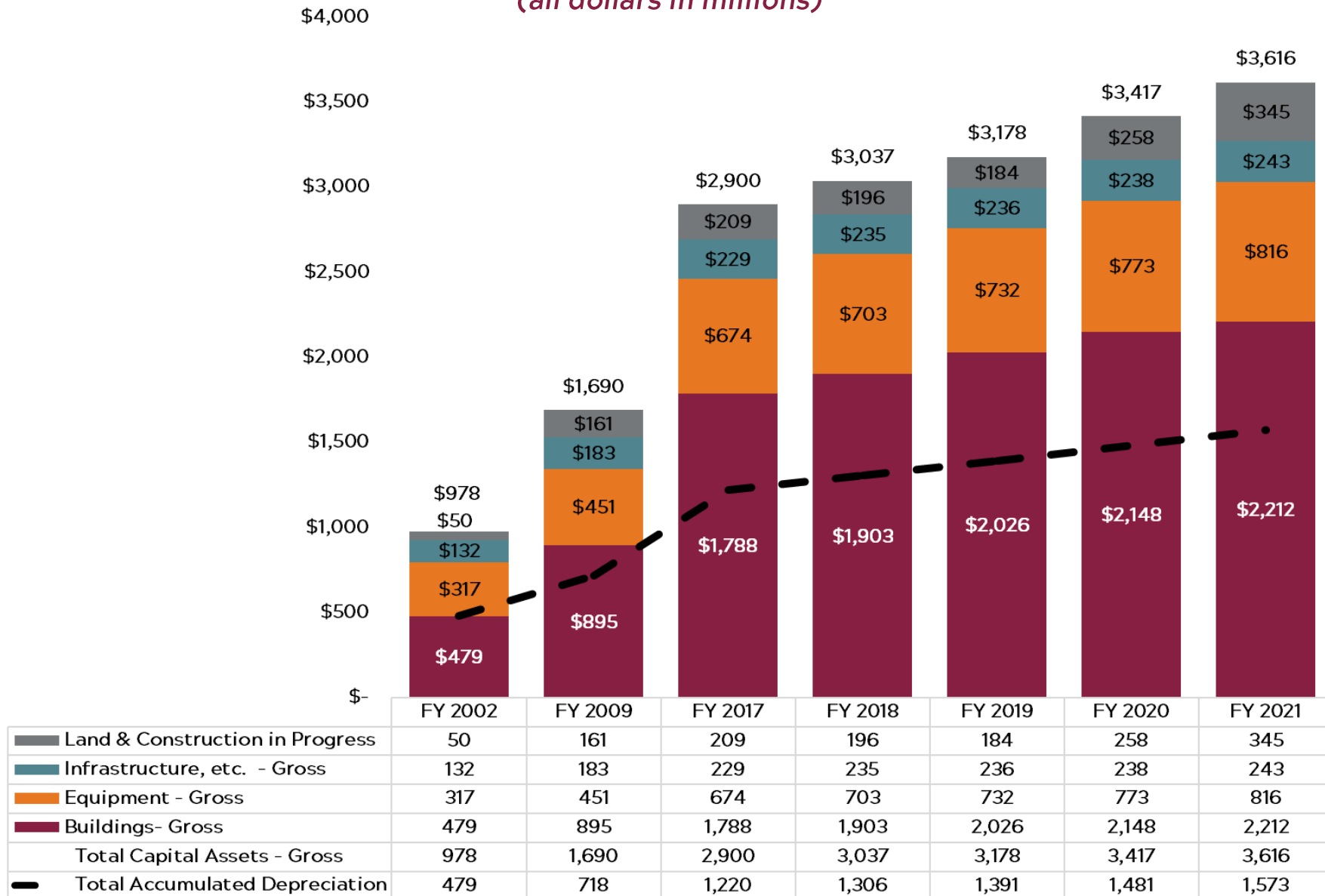


# Ongoing Investments in Capital Assets

Growth in Capital Assets from FY 2002 to FY 2021

(all dollars in millions)

Attachment G



# Composition of Current and Noncurrent Liabilities

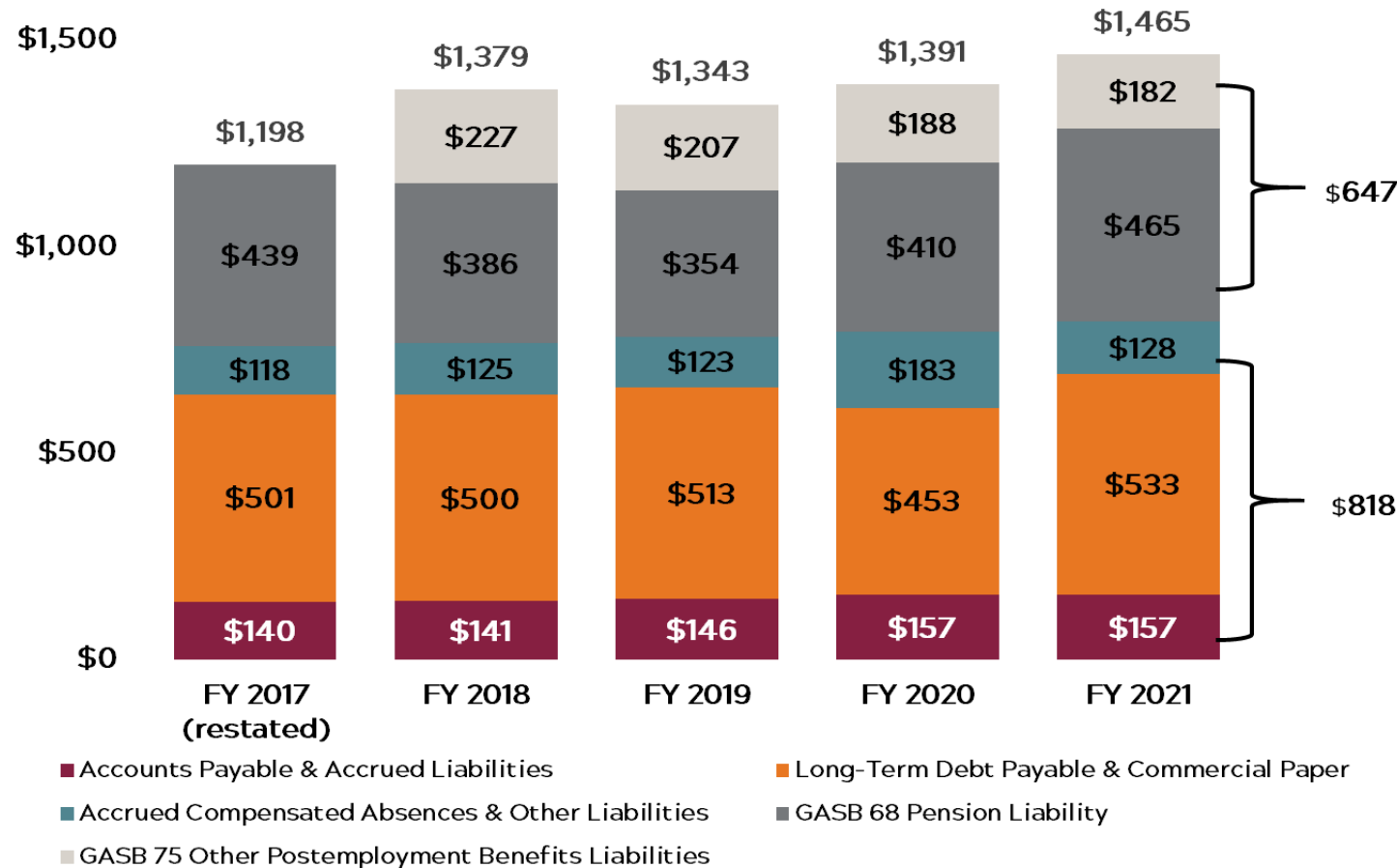
Attachment G

Showing the Impact of Accounting Pronouncements GASB 68 and 75 (Pension & OPEB)

Accounting and Financial Reporting for Pensions and Postemployment Benefits

For the Years ended June 30, 2017 - 2021

(all dollars in millions)



# Trends in Net Position

## For the years ended June 30, 2017 - 2021

(all dollars in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Capital assets, net of related debt	\$ 1,201.3	\$ 1,273.2	\$ 1,326.1	\$ 1,437.6	\$ 1,519.7
Restricted, nonexpendable	11.9	14.4	14.0	12.6	14.9
Restricted, expendable					
Capital projects	39.7	11.5	6.2	3.0	7.2
Other	173.0	186.5	194.7	196.4	229.6
Unrestricted	(23.5)	(226.4)	(150.7)	(135.6)	42.7
<b>Total Net Position</b>	<b>\$ 1,402.4</b>	<b>\$ 1,259.4</b>	<b>\$ 1,390.2</b>	<b>\$ 1,514.0</b>	<b>\$ 1,814.1</b>
Adjusted Unrestricted Net Position Excluding the Impact of GASB Pronouncements Related to Pensions and OPEB	\$ 353.8	\$ 391.2	\$ 444.0	\$ 458.5	\$ 640.0



# Summary of Revenues, Expenses, and Changes in Net Position

## For the years ended June 30, 2021 and 2020

(all dollars in millions)

	2021	2020	Change	
			Amount	Percent
Operating revenues	\$ 1,162.3	\$ 1,188.8	(26.5)	(2.2)%
Operating expenses	1,513.5	1,549.7	(36.2)	(2.3)%
Operating loss	(351.2)	(360.9)	9.7	(2.7)%
State appropriations	302.3	303.8	(1.5)	(0.5)%
Other non-operating revenues and expenses	218.8	77.0	141.8	184.2 %
Non-operating revenues and expenses	521.1	380.8	140.3	36.8 %
Income before other revenues and expenses	169.9	19.9	150.0	753.8 %
Other revenues, expenses, gains, or losses	130.2	101.1	29.1	28.8 %
Increase in net position	300.1	121.0	179.1	148.0 %
Net position - beginning of year	1,514.0	1,393.0	121.0	8.7 %
Net position - end of year	\$ 1,814.1	\$ 1,514.0	\$ 300.1	19.8 %

**Operating loss:** Under GASB reporting, public universities will always show an operating loss because state appropriations, gifts and investment income are all considered non-operating revenues.

# Increase (Decrease) in Revenue

## For the years ended June 30, 2021 and 2020

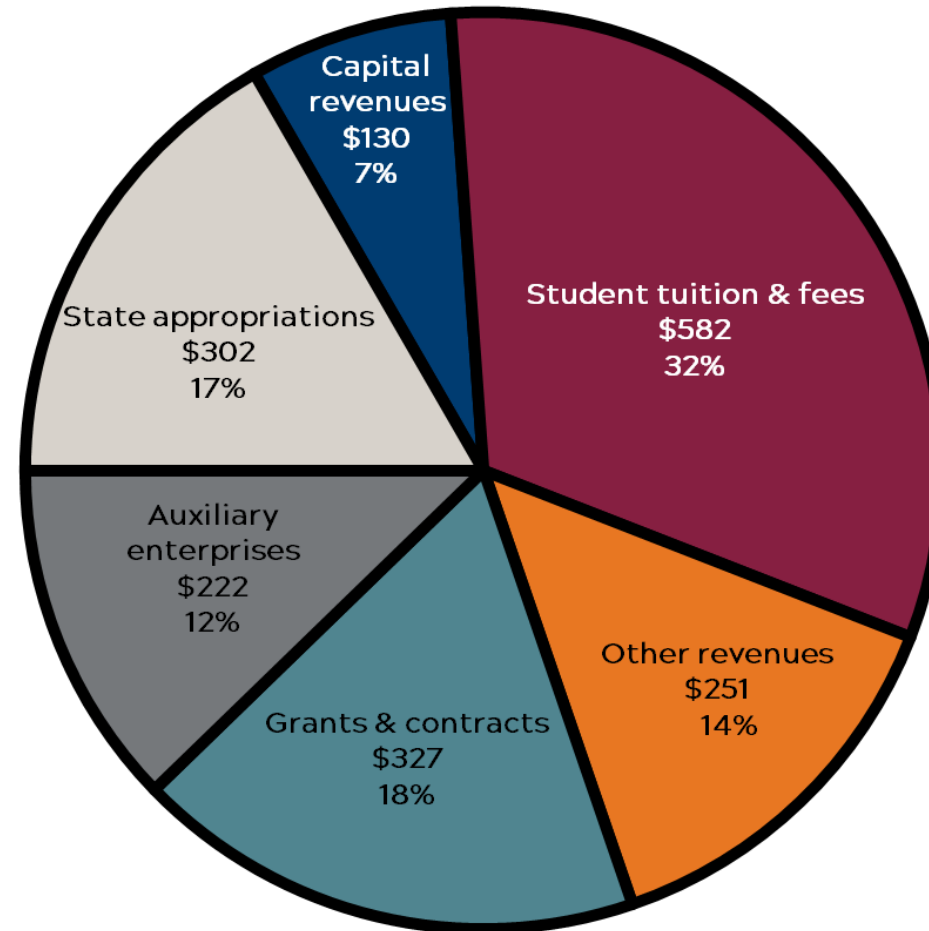
(all dollars in millions)

	2021	2020	Change	
			Amount	Percent
<b>Operating revenues</b>				
Student tuition and fees, net	\$ 581.6	\$ 575.9	\$ 5.7	1.0 %
Grants and contracts	326.7	322.3	4.4	1.4 %
Auxiliary enterprises	222.2	264.1	(41.9)	(15.9)%
Other operating revenues	31.7	26.5	5.2	19.6 %
<b>Total operating revenues</b>	<b>1,162.2</b>	<b>1,188.8</b>	<b>\$ (26.6)</b>	<b>(2.2)%</b>
<b>Non-operating revenues</b>				
State appropriations	302.3	303.8	(1.5)	(0.5)%
Other non-operating revenues	218.8	77.0	141.8	184.2 %
<b>Total non-operating revenues</b>	<b>521.1</b>	<b>380.8</b>	<b>140.3</b>	<b>36.8 %</b>
<b>Other revenues</b>				
Capital grants and gifts	128.0	101.0	27.0	26.7 %
Loss on disposal of capital assets	2.3	0.1	2.2	2,200.0 %
<b>Total other revenues, gains</b>	<b>130.3</b>	<b>101.1</b>	<b>29.2</b>	<b>28.9 %</b>
<b>Total revenue</b>	<b>\$ 1,813.6</b>	<b>\$ 1,670.7</b>	<b>\$ 142.9</b>	<b>8.6 %</b>

# Total Revenues by Source - \$1.814 Billion

for the year ended June 30, 2021  
(all dollars in millions)

Attachment G



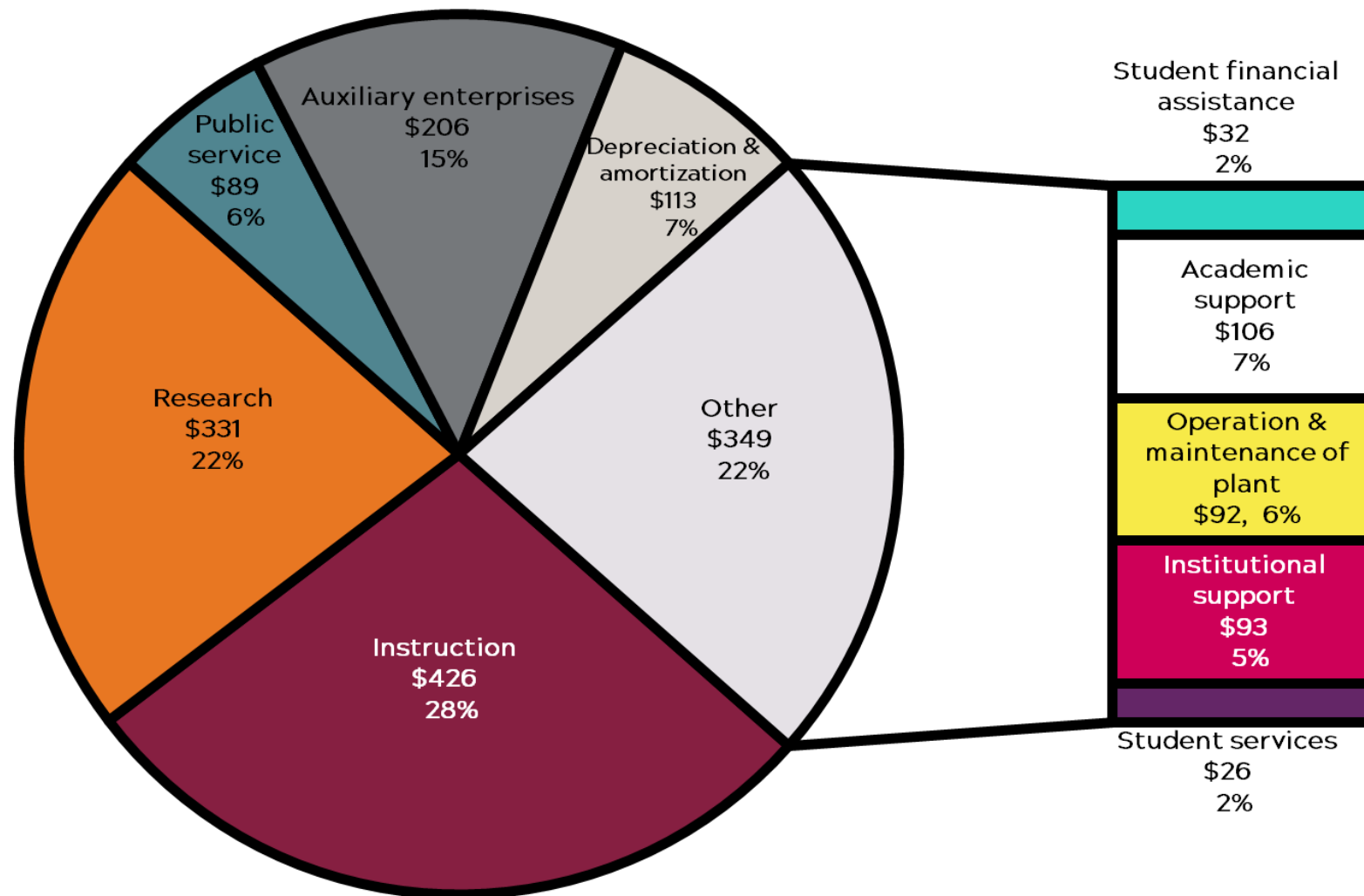
\* Other revenues include gifts, investment income, interest expense on debt related to capital assets, federal Pell grants, CARES Act stabilization revenue, and other non-operating revenue.

# Summary of Expenses by Function - \$1.514 Billion

Attachment G

For the year ended June 30, 2021

(all dollars in millions)

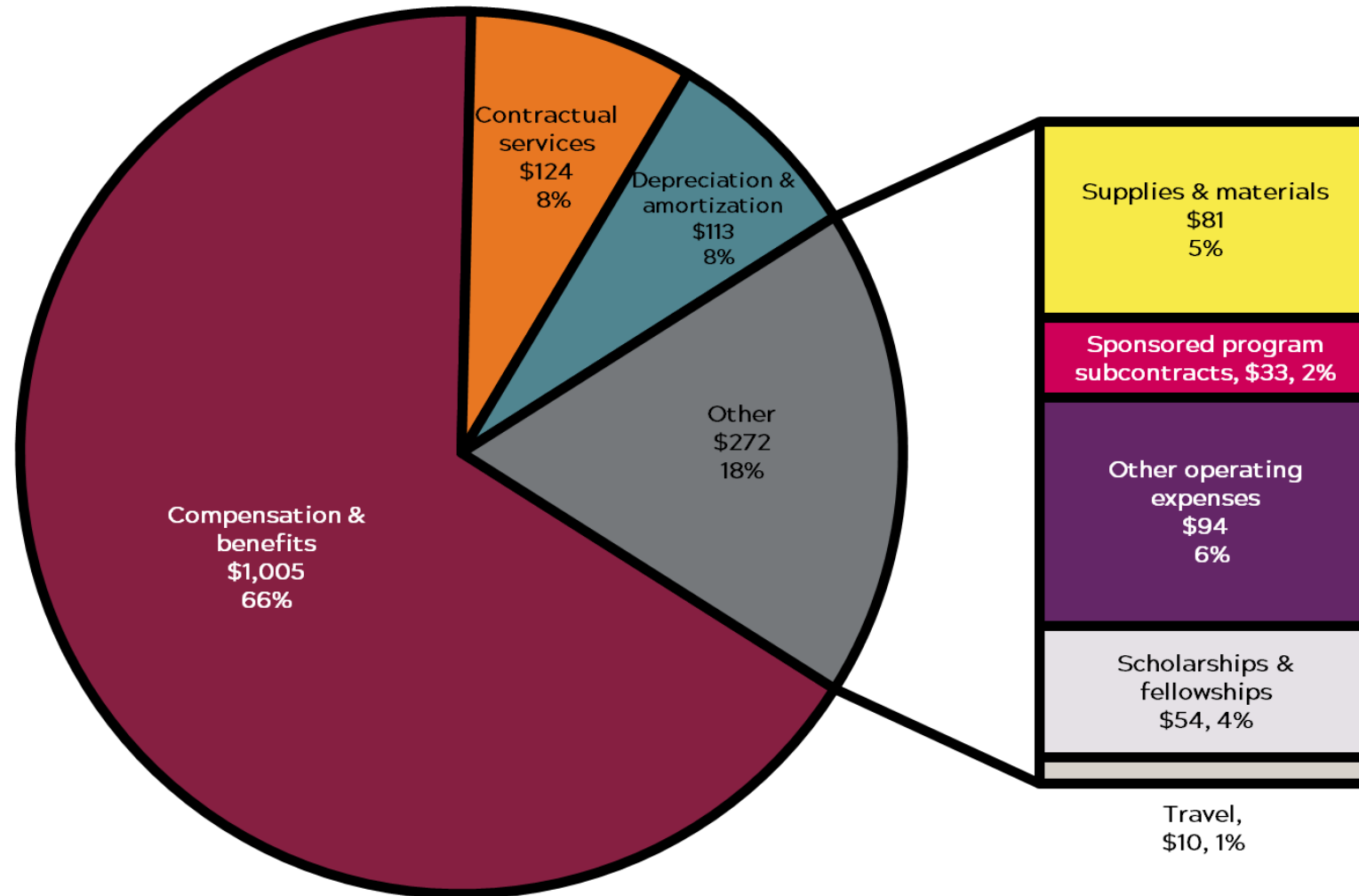


# Total Operating Expenses by Classification - \$1.514 Billion

Attachment G

for the year ended June 30, 2021

(all dollars in millions)



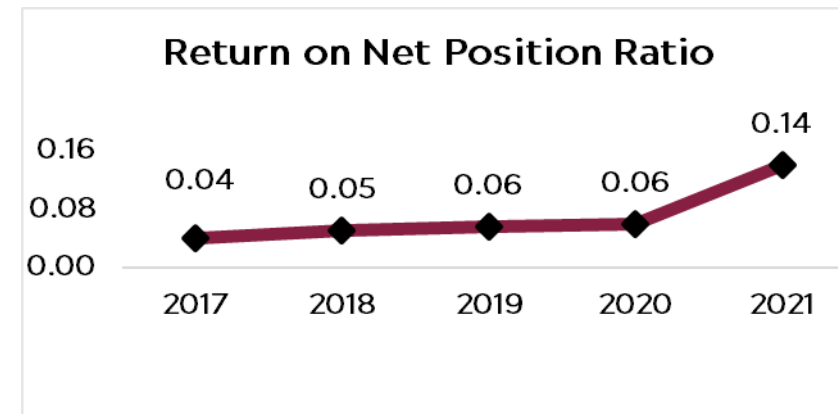
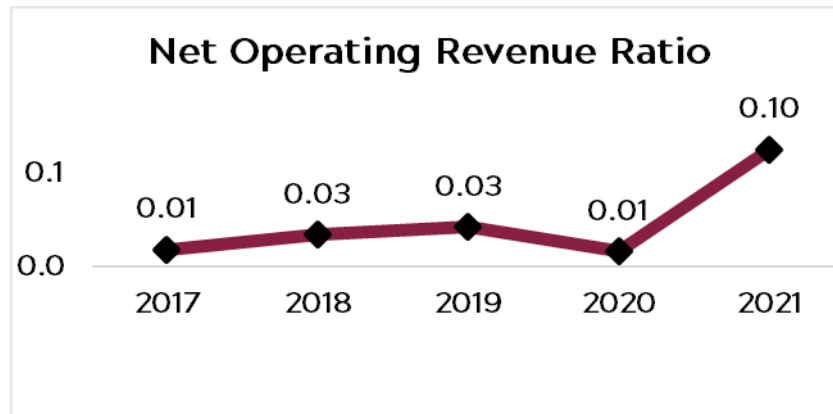
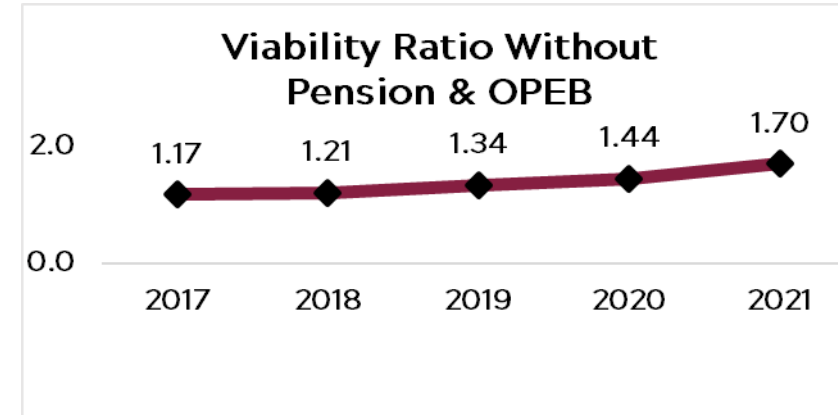
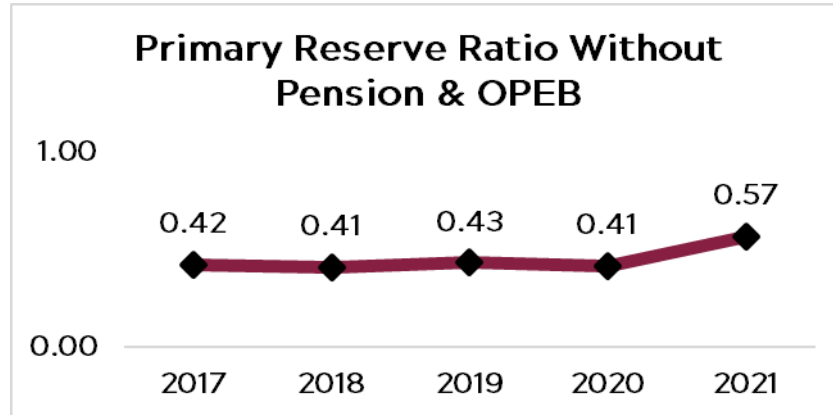
# GASB 87 Leases

## Financial Statement Impact

As of June 30, 2021  
(all dollars in thousands)

		GASB 62 Long-Term Debt, Capital Leases		GASB 87 Long-Term Debt, Long-Term Leases
Capital lease obligations	\$	72,547	Long-term lease liability (reclassified former capital lease obligations)	\$ 72,547
Operating lease commitments		-	Estimated Long-term lease liability (recognized former operating lease commitments)	79,390
Total long-term debt, capital leases	\$	<u>72,547</u>	Total long-term debt, long-term leases	<u>\$ 151,937</u>
		GASB 62 Operating Lease Commitments Note Disclosure Only		GASB 87 Short-term Lease Commitments
Operating lease commitments	\$	<u>88,522</u>	Short-term lease commitments	No Disclosure

# Measuring the Overall Level of Financial Health



# Measuring the Overall Level of Financial Health

Ratio	Definition
Primary Reserve	Snapshot of the financial strength and flexibility of an institution calculated by dividing expendable net assets by total expenses. The accepted benchmark for this ratio is 0.4.
Viability	Availability of expendable net position to cover long-term debt and indicates whether an institution can assume new debt calculated by dividing expendable net assets by long-term debt. The accepted benchmark for this ratio is 1.0 or greater.
Net Operating Revenue	Indicates whether an organization is living within its available resources calculated by dividing net income less capital revenues by noncapital revenues.
Return on Net Position	Answers whether the university is achieving a positive economic return on its investment of resources calculated by dividing change in net assets by total net assets.

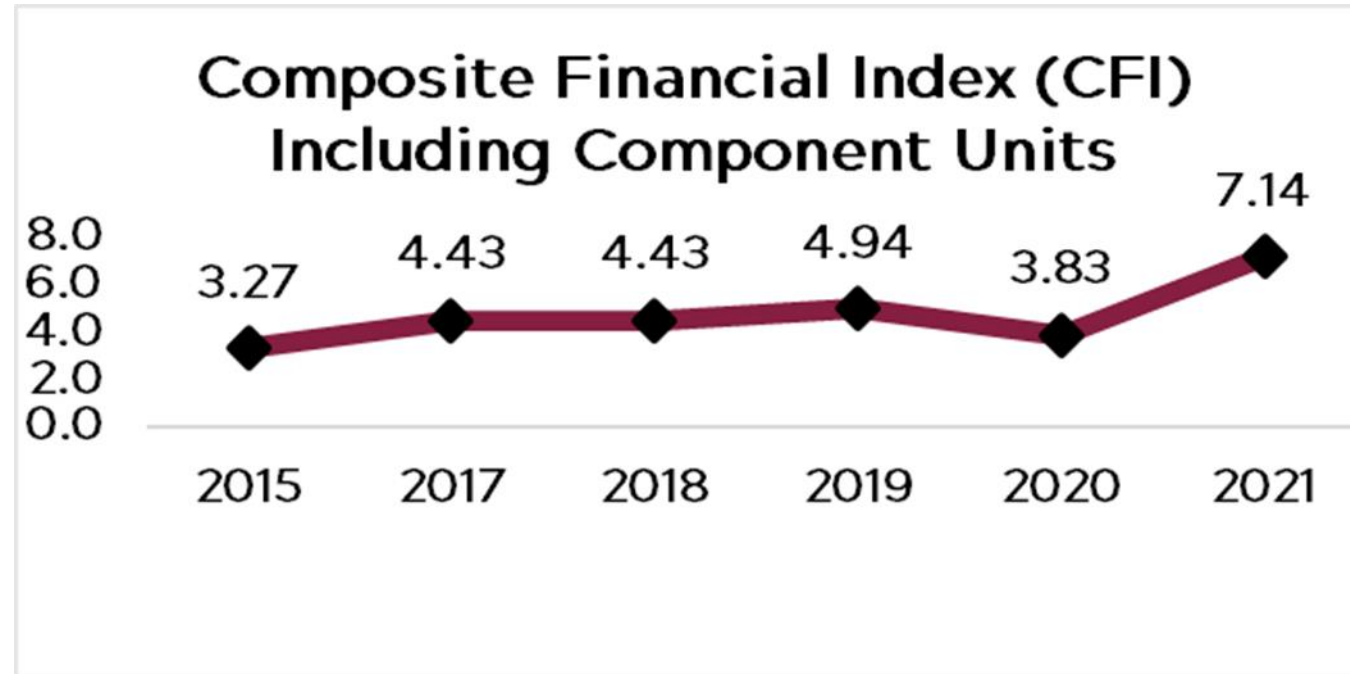
Consistent with the Auditor of Public Accounts report, the impacts of Pension and Other Post Employment Benefits have been excluded.

Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC 2010, Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, Seventh Edition, 2010,

[https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC\\_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf](https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf)



# Measuring the Overall Level of Financial Health



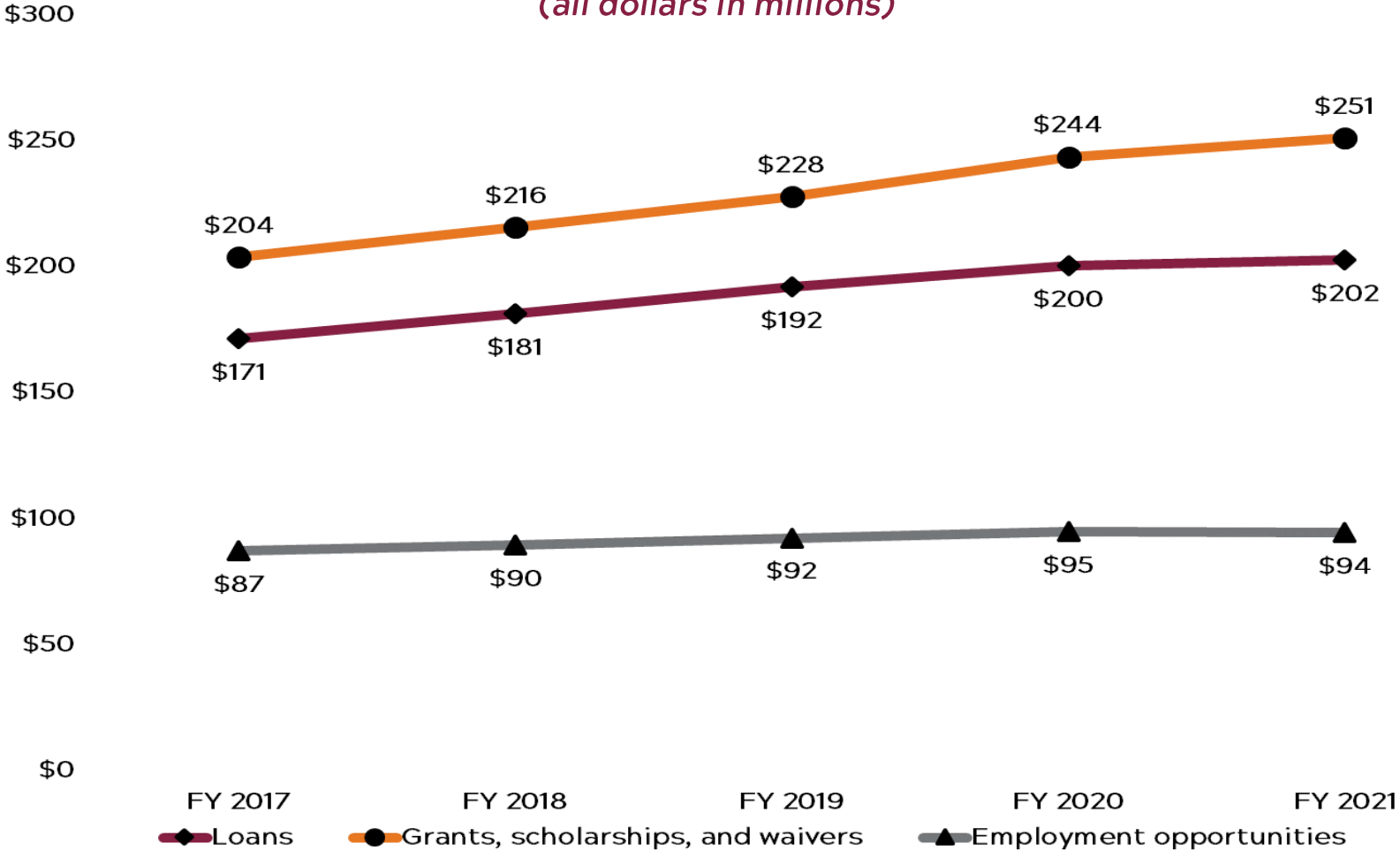
The CFI is a weighted average of the four previous financial ratios.  
The accepted benchmark is 3.0 or greater.

Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC 2010, Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, Seventh Edition, 2010.

[https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC\\_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf](https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf)

# Student Financial Aid

For the years ended June 30, 2017 - 2021  
(all dollars in millions)



# Conclusion

Continued Investment in  
Facilities



Strong Student  
Demand



Moderate  
Undergraduate  
Tuition & Fees



Ranked 49<sup>th</sup> in 2020  
NSF Research  
Ranking



Total Expenditures

FY2020	\$556.3 Million
FY2021	\$542.0 Million

Continued Growth in  
Net Position



Continued Success  
of Philanthropy



# DISCUSSION

---

---

---

Update on Auditor of Public Accounts  
Intercollegiate Athletics Programs  
Report for Year Ended June 30, 2021

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

March 4, 2022

The Auditor of Public Accounts (APA) is performing certain agreed-upon procedures to evaluate whether the university's Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) complies with the National Collegiate Athletic Association (NCAA) Constitution 3.2.4.15.1 for the year ended June 30, 2021. To date, the APA has not identified any matters requiring amounts on the Schedule to be adjusted. In addition to the Schedule, the agreed-upon procedures address internal controls, affiliated and outside organizations, and separate procedures for specific revenues and expenses. The APA is not auditing the financial statements of the Intercollegiate Athletics Programs and will not be issuing an opinion.

The Schedule's purpose is to present a summary of revenues and expenses for the university's intercollegiate athletics programs for the year ended June 30, 2021. Total revenues were \$92.7 million, with the majority of the revenues coming from non-program specific sources and football. Total expenses for the year were \$88.0 million, resulting in an operating surplus of \$4.7 million. The following attachments provide additional information regarding athletic finances:

- *Attachments A, B and C* displays trend analyses of athletic revenues, expenses and debt. The analysis indicates an upward slope in revenues and expenses, with a deficit in fiscal year 2017, and surpluses in the remaining years.
- *Attachment D* shows the five-year trend for net income/deficit. The fiscal year 2017 deficit occurred primarily due to the decision to use funds other than gifts to fund scholarships; a detailed explanation was provided in prior years' reports.
- *Attachment E* offers a breakout of fiscal year 2021 net operating income by athletic program, showing that the proceeds from football and men's basketball support other athletic programs.
- *Attachment F* is the unaudited Schedule of Revenues and Expenses and footnotes for the year ended June 30, 2021.
- *Attachment G* is the reconciliation of cash basis accounting to the NCAA report.

As with all auxiliaries, the university requires the Athletics Department to maintain adequate fund balances or reserves to protect its operations from financial variances. However, the unprecedented nature of the coronavirus pandemic and the exigency created by canceled sporting events led the university to pursue several authorized strategies to assist the Athletics Department.

Excluding support strategies, the Athletics Department experienced a severe operating revenue decline of \$26.1 million dollars in fiscal year 2021 compared to 2020. While balancing the needs of the larger campus community with those of the Athletics Department, the following authorized strategies were pursued to provide relief:

- *Direct Institutional Support:* \$13.0 million of Higher Education Emergency Relief Fund II lost revenue resources were allocated to the Athletics Department in accordance with the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 and Board of Visitors approval.
- *Indirect Institutional Support:* \$4.2 million of Auxiliary Indirect Charges were waived by the university in accordance with § 3-4.01 item 3 of Chapter 56 of the Virginia Acts of Assembly and Board of Visitors approval.

The relief allocation for the Athletics Department was determined on a cash-basis.

In addition to the one-time indirect institutional support provided due to the financial impacts of the pandemic, the Schedule began reflecting the university's ongoing support of the academic success of student athletes. Student Athlete Academic Support Services (SAASS) is a student services office that exclusively provides student athletes with comprehensive academic support services such as tutoring, studying assistance, computing technology, and academic and individual skill development programs. University SAASS support appears on the Schedule as offsetting indirect institutional support revenue and expenditure amounts and is excess/(deficiency) neutral, however it is a use of E&G funds to support the academic programs for student athletes

See Attachment F for the unaudited Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2021.

The APA is near completion of its review and a draft report is anticipated in the near future. The final auditor's report will be distributed to the Board of Visitors as soon as it is available.

## Additional Activities Related to NCAA Reporting

### Subsidy Percentage

House Bill 1897 (HB1897) passed by the 2015 General Assembly prohibits the total of school funds and student fees used to support intercollegiate athletics programs from exceeding a certain percentage of athletics revenues. This calculation is called the subsidy percentage. For the subsidy percentage calculation, revenues supporting spirit groups, indirect cost charges, and debt service are removed from both the total revenue and the student fees. The bill requires any school that violates the subsidy percentage cap to submit a five-year plan for coming into compliance to the General Assembly. The subsidy percentages are larger for small institutions which do not have significant ticket sales or conference distributions. For Virginia Tech, the subsidy percentage must remain below 20 percent.

The university's athletic fees are the lowest in the commonwealth and have not been affected by the legislation's fixed percentage of fees ceiling. Virginia Tech has met the subsidy percentage requirement in fiscal years 2017-19. The APA reports for fiscal years 2020-21 are not available at the time of this report.

### Rolling Average

Per the requirements of Subsection D of § 23.1-1309 of the Code of Virginia, "any percentage increase in the subsidy at an institution that complies with Subsection C shall be matched by a like percentage increase in generated revenue, except that each institution shall utilize a rolling average of the change in generated revenues and student fees over the immediately preceding five years for the purposes of such calculation." Fiscal year 2021 was the fifth reporting year following the effective date of the regulation. However, due to interruptions from the pandemic, the most recently available calculation from the APA is for the three-year averages from fiscal year 2017 through 2019.

The 2021 Virginia General Assembly amended the requirements of Subsection D of § 23.1-1309 of the Code of Virginia to provide additional operational relief to institutions of higher education. Pursuant to § 4-2.01.b.11 of this act, fiscal years 2020, 2021, and 2022 shall be excluded from the calculated five-year rolling average of the change in generated revenues and student fees for future required reporting on intercollegiate athletic revenues and expenses, specifically related to the share of athletic revenues from school funds and student fees, as set out in § 23.1-1309, Code of Virginia.

The average increase in the student fees revenues for the three-year period from fiscal year 2017 to 2019 was 7.5 percent, which was greater than the 5.2 percent average increase in generated revenues. The increase in student fees revenues resulted from a combination of enrollment growth and nominal rate increases. Significant increases in enrollments allow for large increases in student fee

revenue without substantial increases in the per-student fee. From fiscal year 2017 to 2019, the average per-student athletic fee increase was 4.0 percent (which is less than the average increase in generated revenues), yet the average total student athletic fee revenue increase was 7.5 percent. This difference is due to increases in enrollment, which includes the increase of nearly 1,000 full-time students in fiscal year 2018. Year over year enrollment and rate changes are equally meaningful when evaluating the changes in student athletic fee revenues.

Table 1 below displays Virginia Tech's modest increases in enrollment and student athletic fees for the past five fiscal periods.

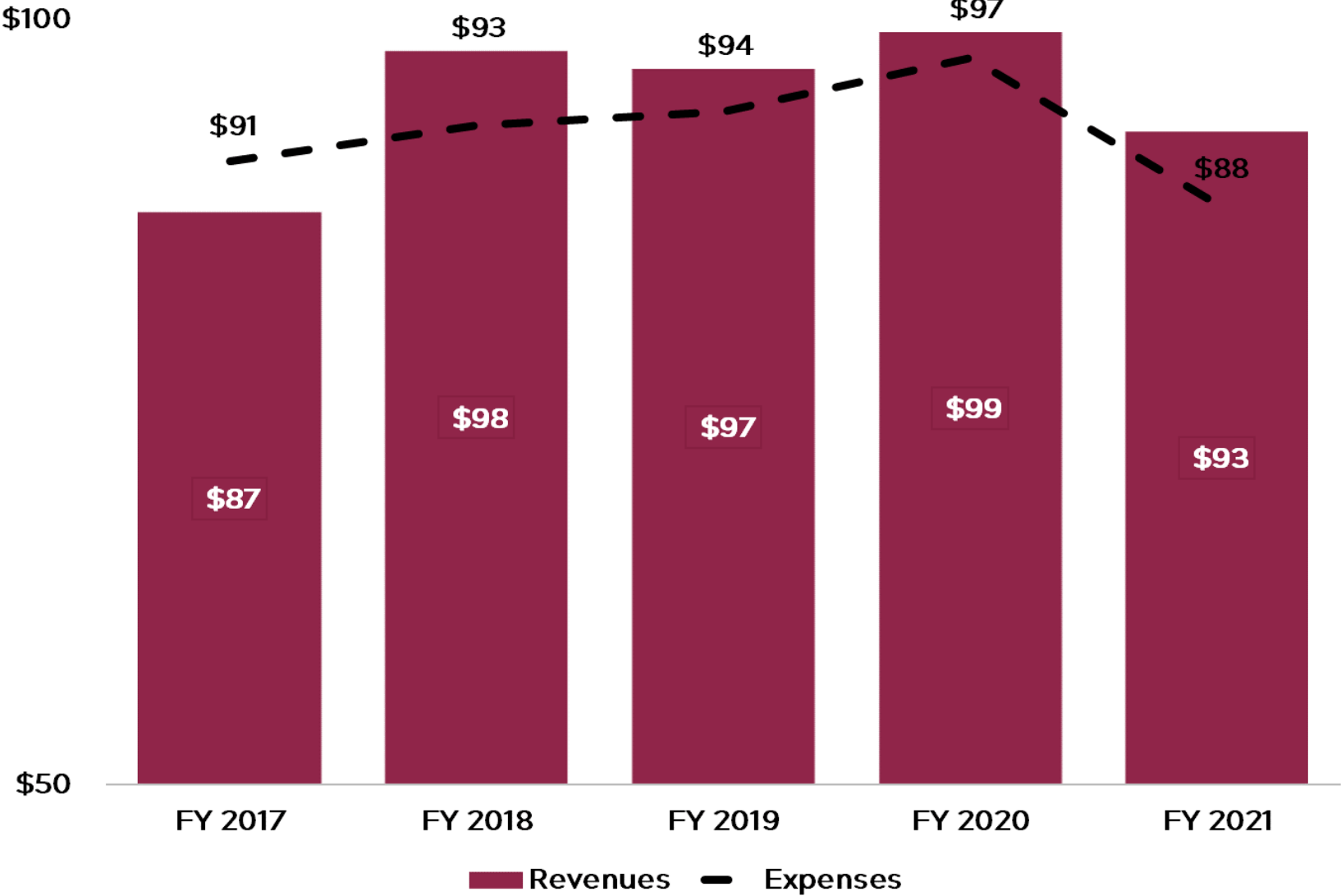
Table 1: Intercollegiate Athletics Non-E&G Mandatory  
Intercollegiate Athletics Fees

	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY20-21
Fee per FTE student	\$293	\$308	\$317	\$326	\$326
\$ Increase	\$5	\$15	\$9	\$9	\$0
% Increase	1.7%	5.1%	2.9%	2.8%	0.0%
Student fee revenues	\$8,885,874	\$9,704,076	\$10,275,759	\$10,924,067	\$10,889,955



# Intercollegiate Athletic Programs Revenue & Expenses

For the years ended June 30, 2017 - 2021  
(all dollars in millions)



# Revenue and Expense Line Items with Significant Increase (Decrease)

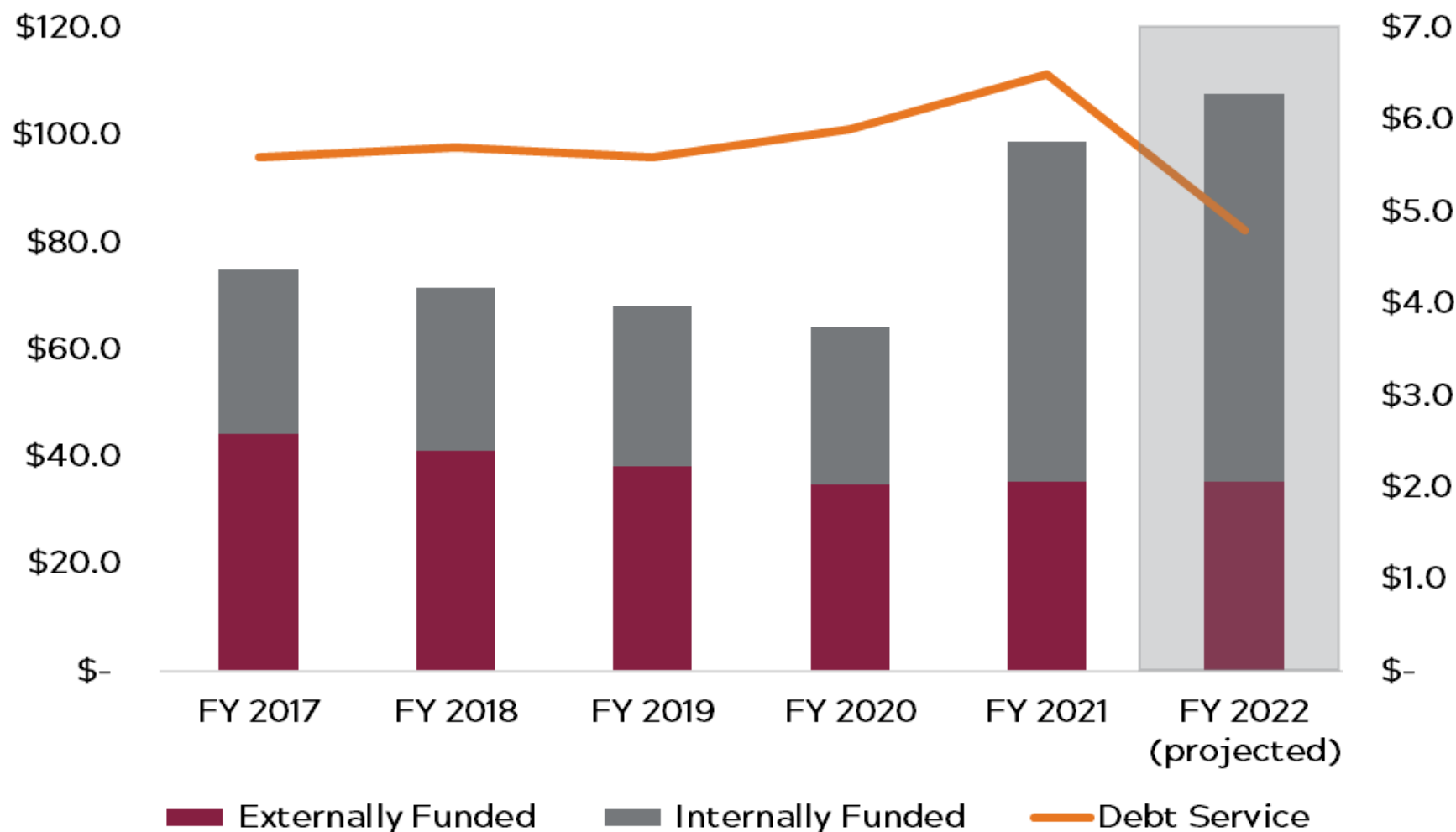
For the years ended June 30, 2021 and 2020  
(all dollars in thousands)

	2021	2020	Change	
			Amount	Percent
<b>Operating revenues</b>				
Ticket Sales	\$ 49.0	\$ 19,200.0	\$ (19,151.0)	(99.7)%
Direct government support (HEERF)	13,028.3	0.0	13,028.3	COVID RELIEF
Indirect institutional support*	5,447.3	0.0	5,447.3	*
Contributions	16,241.9	21,806.8	(5,564.9)	(25.5)%
NCAA distributions	3,601.3	1,536.1	2,065.2	134.4 %
Program, novelty, parking, and concession sales	137.4	1,697.0	(1,559.6)	(91.9)%
			<u><u>\$ (5,734.7)</u></u>	
	2021	2020	Change	
			Amount	Percent
<b>Operating expenses</b>				
Athletic student aid	14,548.9	15,656.6	(1,107.7)	(7.1)%
Guarantees	721.4	2,134.1	(1,412.7)	(66.2)%
Salaries, Benefits, Bonuses	35,290.4	36,737.6	(1,447.2)	(3.9)%
Recruiting	232.7	1,876.9	(1,644.2)	(87.6)%
Team travel	2,636.2	3,925.7	(1,289.5)	(32.8)%
Game expenses	1,558.4	4,736.4	(3,178.0)	(67.1)%
Indirect institutional support*	5,447.3	0.0	5,447.3	*
Indirect cost paid to institution by athletics	535.5	5,306.5	(4,771.0)	(89.9)%
Direct overhead and administrative expenses	5,286.7	7,336.0	(2,049.3)	(27.9)%
Football bowl expenses	72.3	1,607.0	(1,534.7)	(95.5)%
Other operating expenses	6,221.6	4,671.9	1,549.7	33.2 %
			<u><u>\$ (11,437.3)</u></u>	

\*Revenue and expense grossed up for university E&G support including student athlete academic support expenditures and waived indirect costs as permitted by the Commonwealth for FY21 in response to pandemic related financial impact on university auxiliary operations.

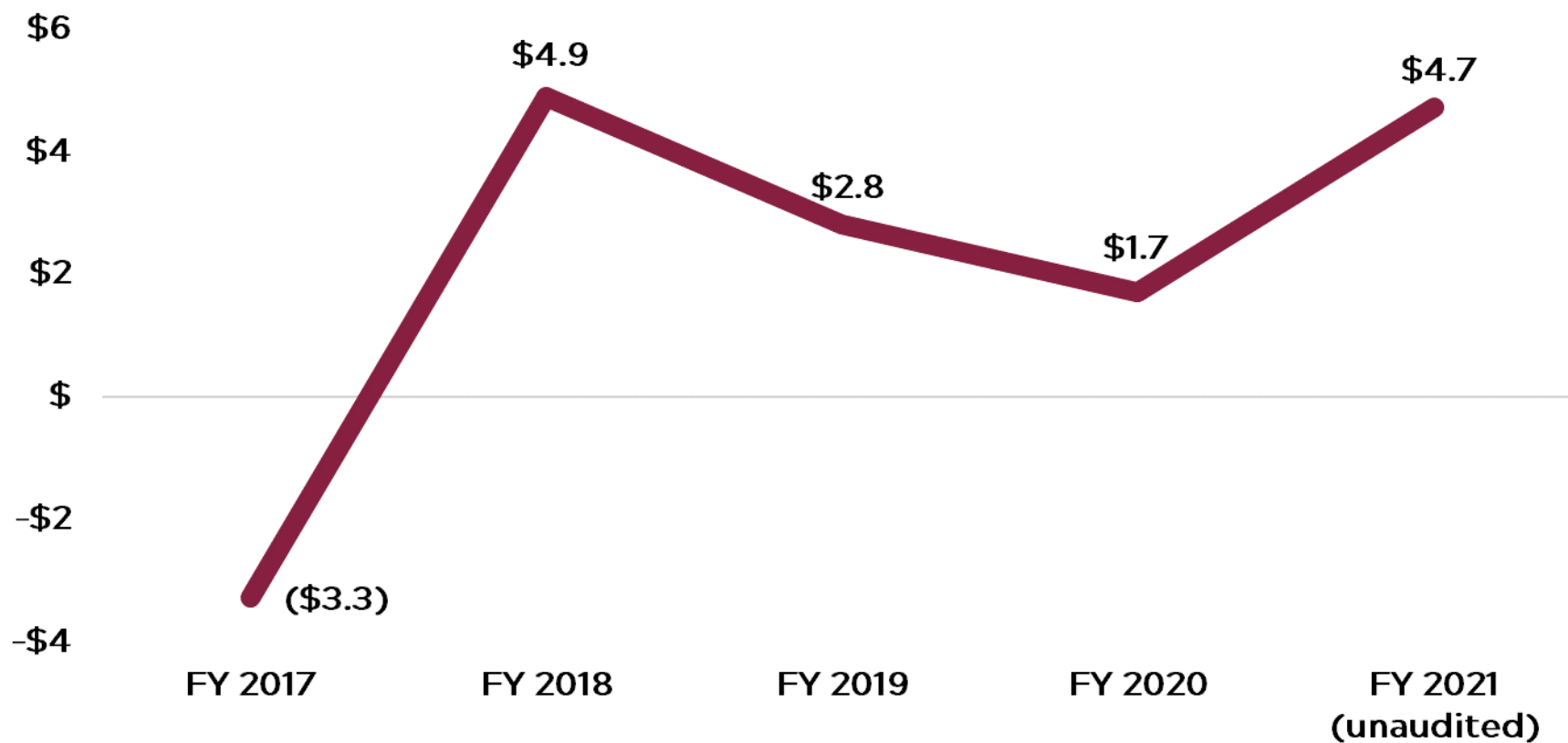
## Intercollegiate Athletic Programs Long-Term Debt

For the years ended June 30, 2017 - 2022  
(all dollars in millions)



## Intercollegiate Athletic Programs

Net Operating Income (Deficit)  
For the years ended June 30, 2017 - 2021  
(all dollars in millions)



# Intercollegiate Athletic Programs

## Net Operating Income (Deficit)

For the year ended June 30, 2021

(all dollars in millions)

	Revenue	Expenses	Net Income/(Deficit)
Football	\$ 32.0	\$ 26.7	\$ 5.3
Men's Basketball	10.4	6.7	3.7
Women's Basketball	0.4	3.6	(3.2)
Other Sports*	3.7	19.6	(15.9)
Non Program Specific**	46.2	31.4	14.8
	<u>\$ 92.7</u>	<u>\$ 88.0</u>	<u>\$ 4.7</u>

\*Other Sports is the total of Men's Other Sports, Women's Other Sports. There are 16 other sports programs such as baseball, softball, golf, tennis, track & field, etc.

\*\* Non Program Specific includes revenues and expenses that cannot be attributed to a specific sport and support the overall function of the Athletic program.

# Intercollegiate Athletic Programs Schedule of Revenues & Expenses

For the year ended June 30, 2021

UNAUDITED

	Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
<b>Operating Revenues:</b>							
Ticket sales	\$ -	\$ 3,180	\$ -	\$ 45,880	\$ -	\$ -	\$ 49,060
Direct state or other government support						13,028,286	13,028,286
Student fees					2,536,926	8,353,029	10,889,955
Direct institutional support		584		1,597	1,534		3,715
Less: Transfers to institution							-
Indirect institutional support						5,447,267	5,447,267
Guarantees							-
Contributions	2,190,290	41,959	10,094	194,572	115,889	13,689,130	16,241,934
In-kind	7,755	48,223			3,104	28,287	87,369
Compensation and benefits provided by a third-party							-
Media rights	21,701,689	7,702,508	290,030			25,897	29,720,124
NCAA distributions		2,302,320				1,298,946	3,601,266
Conference distributions (non-media or bowl)	-	262,337		35,000	119,000		416,337
Conference distributions (bowl)	6,657,296						6,657,296
Program, novelty, parking, and concession sales	136,615					805	137,420
Royalties, licensing, advertisement and sponsorships	1,230,973	72,500	72,500	293,003	232,140	996,372	2,897,488
Sports camp revenues							-
Athletics restricted endowment and investment income	33,069					2,914,901	2,947,970
Other				62,665	62,833	434,660	560,158
Bowl revenue							-
<b>Total Operating Revenues</b>	<b>\$ 31,957,687</b>	<b>\$ 10,433,611</b>	<b>\$ 372,624</b>	<b>\$ 632,717</b>	<b>\$ 3,071,426</b>	<b>\$ 46,217,580</b>	<b>\$ 92,685,645</b>

# Intercollegiate Athletic Programs Schedule of Revenues & Expenses

For the year ended June 30, 2021

UNAUDITED

	Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
<b>Operating Expenditures:</b>							
Athletic student aid	(4,562,916)	(725,868)	(857,033)	(3,367,277)	(4,769,046)	(266,762)	(14,548,902)
Guarantees	(419,000)	(215,000)	(59,164)	(23,998)	(4,221)		(721,383)
Coaching salaries, benefits, and bonuses paid by the university and related entities	(8,410,355)	(3,315,870)	(1,238,965)	(3,071,442)	(2,695,626)		(18,732,258)
Coaching other compensation and benefits paid by a third-party							-
Support Staff/Administrative salaries, benefits, and bonuses paid by the university and related entities	(1,879,385)	(805,090)	(544,199)	(450,954)	(249,860)	(12,628,724)	(16,558,212)
Support Staff/Administrative other compensation paid by a third-party							-
Severance payments	(115,612)	(63,890)	(16,039)	(11,841)	(14,504)	(141,699)	(363,585)
Recruiting	(86,362)	(57,040)	(60,249)	(18,208)	(10,823)		(232,682)
Team travel	(772,872)	(337,856)	(196,984)	(681,059)	(647,393)		(2,636,164)
Sports equipment, uniforms and supplies	(1,613,980)	(114,810)	(27,690)	(523,555)	(370,180)	(311,983)	(2,962,198)
Game expenses	(402,633)	(63,476)	(50,572)	(145,109)	(92,363)	(804,264)	(1,558,417)
Fundraising, marketing and promotions	(132,991)	(16,776)	(6,440)	(30,801)	(19,106)	(847,494)	(1,053,608)
Sport camp expenses	(25)						(25)
Spirit groups	(144,545)					(116,338)	(260,883)
Athletic facilities leases, and rental fees				(126,192)	(125,720)		(251,912)
Athletic facilities debt service	(3,597,483)	(279,935)	(279,935)			(2,301,593)	(6,458,946)
Direct overhead and administrative expenses	(2,115,195)	(429,866)	(65,152)	(271,737)	(199,389)	(2,205,334)	(5,286,673)
Indirect cost paid to the institution by athletics	(75,744)					(459,769)	(535,513)
Indirect institutional support						(5,447,267)	(5,447,267)
Medical expenses and insurance	(239,723)	(34,362)	(43,095)	(249,957)	(283,331)	(992,450)	(1,842,918)
Memberships and dues	(4,984)	(355)	(944)	(23,037)	(20,775)	(20,981)	(71,076)
Student-Athlete meals	(1,074,654)	(116,098)	(57,540)	(447,418)	(356,259)	(89,031)	(2,141,000)
Other operating expenses	(979,155)	(112,754)	(68,906)	(199,341)	(92,360)	(4,769,112)	(6,221,628)
Bowl expenses	(72,259)						(72,259)
Bowl expenses- Coaching Compensation/Bonuses							-
<b>Total Operating Expenditures</b>	<b><u>\$ (26,699,873)</u></b>	<b><u>\$ (6,689,046)</u></b>	<b><u>\$ (3,572,907)</u></b>	<b><u>\$ (9,641,926)</u></b>	<b><u>\$ (9,950,956)</u></b>	<b><u>\$ (31,402,801)</u></b>	<b><u>\$ (87,957,509)</u></b>
 <b>Excess (Deficiency) of Revenues Over (Under) Expenditures for the Year</b>	 <b><u>\$ 5,257,814</u></b>	 <b><u>\$ 3,744,565</u></b>	 <b><u>\$ (3,200,283)</u></b>	 <b><u>\$ (9,009,209)</u></b>	 <b><u>\$ (6,879,530)</u></b>	 <b><u>\$ 14,814,779</u></b>	 <b><u>\$ 4,728,136</u></b>

## 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 the Schedule is to present a summary of revenues and expenses of the intercollegiate athletic programs of the University for the year ended June 30, 2021. 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 fund balances, or cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

## 2. AFFILIATED ORGANIZATIONS

The University received \$19,189,903 from the Virginia Tech Foundation, Inc. Approximately \$14,548,902 of these funds were used for grant-in-aid scholarships for student-athletes. These amounts received are included in the accompanying Schedule as follows: \$12,247,154 is included in the Contributions line item and \$2,301,748 is included in the Athletics Restricted Endowment and Investment Income line item.

## 3. LONG-TERM DEBT

### Externally-funded debt

The University, on behalf of the Athletic Department, has obtained debt financing for capital improvement projects as needed. These debts usually consist of Section 9(d) revenue bonds issued by the University or notes payable issued through the Virginia College Building Authority (VCBA), and will be repaid by the department using operating revenues and private fundraising proceeds. Outstanding principal as of June 30, 2021 (in dollars):

<u>Project</u>	<u>Maturity</u>	<u>Principal</u>
Indoor Practice Facility		
Series 2015B, 9(d) revenue bond	2035	\$ 510,000
Series 2021, 9(d) revenue bond	2036	40,000
Lane Stadium - West Side Expansion		
Series 2021, 9(d) refunding revenue bond	2041	21,825,000
Lane Stadium - South End Zone		
Series 2021, 9(d) refunding revenue bond	2041	7,055,000
Hahn Hurst Basketball Practice Center		
Series 2021, 9(d) refunding revenue bond	2041	<u>6,075,000</u>
		<u>\$35,505,000</u>



Internally-funded debt

The University has internally loaned the Athletic Department funds for capital improvement projects as needed. These debts will be repaid by the department using operating revenues and private fundraising proceeds. Outstanding principal as of June 30, 2021 (all dollars):

<b>Project</b>	<b>Maturity</b>	<b>Principal</b>
Student Athletic Performance Center	2030	\$ 4,248,000
ACC Media Studio	2031	10,250,000
Creativity & Innovation District	2041	21,200,000
Baseball Stadium and Rector Field House	2045	<u>27,660,000</u>
		<u>\$63,358,000</u>

A summary of future principal and interest commitments for fiscal years subsequent to June 30, 2021 is presented as follows (all dollars):

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 3,049,000	\$ 1,751,000	\$ 4,800,000
2023	3,098,000	1,645,000	4,743,000
2024	4,864,000	1,592,000	6,456,000
2025	5,175,000	1,531,000	6,706,000
2026	4,987,000	1,460,000	6,447,000
2027-2031	25,088,000	6,167,000	31,255,000
2032-2036	19,882,000	4,183,000	24,065,000
2037-2041	21,538,000	2,189,000	23,727,000
2042-2045	<u>11,182,000</u>	<u>427,000</u>	<u>11,609,000</u>
	<u>\$98,863,000</u>	<u>\$20,945,000</u>	<u>\$119,808,000</u>

#### 4. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the University charges the Athletic Department an administrative fee. For fiscal year 2021, the University was authorized by the state to reduce the amount of administrative fee charged to the auxiliaries due to the significant financial impact on auxiliary enterprises caused by the COVID-19 pandemic. During the fiscal year the Athletic Department paid \$535,513 to the University. This amount is included on the Indirect Cost Paid to the Institution by Athletics line item, and includes \$75,744 in Football and \$459,769 in the Non-Program Specific category. The University waived \$4,165,940 of the administrative fee which is included in the Non-Program Specific category of the Indirect Institutional Support line item.

#### 5. 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 fair market value as of the donation date.

Equipment is capitalized when the unit acquisition cost is \$2,000 or greater and the estimated useful life is one year or more. Software is capitalized when the acquisition and/or the development costs exceed \$100,000. Renovation costs are capitalized when expenses total more than \$100,000, the asset value significantly increases, or 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 40 to 60 years for buildings, ten to 50 years for infrastructure and land improvements, and three to 30 years for fixed and movable equipment.

A summary of changes in capital assets follows for the year ending June 30, 2021 (all dollars in thousands):

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Depreciable capital assets				
Buildings	\$ 209,592	\$ 22,540	\$ 63	\$ 232,069
Moveable equipment	13,595	1,600	39	15,156
Software	313	-	-	313
Fixed equipment	13,101	1,487	-	14,588
Infrastructure	<u>20,547</u>	<u>1,392</u>	<u>628</u>	<u>21,311</u>
Total depreciable capital assets, at cost	257,148	27,019	730	283,437
Less accumulated depreciation:				
Buildings	\$ 63,134	\$ 5,076	\$ 63	\$ 68,147
Moveable equipment	6,644	1,357	36	7,965
Software	285	9	-	294
Fixed equipment	5,502	681	-	6,183
Infrastructure	<u>17,927</u>	<u>702</u>	<u>628</u>	<u>18,001</u>
Total accumulated depreciation	93,492	7,825	727	100,590
Total depreciable capital assets net of accumulated depreciation	163,656	19,194	3	182,847
Non-depreciable capital assets				
Construction in progress	<u>15,435</u>	<u>14,761</u>	<u>24,469</u>	<u>5,727</u>
Total non-depreciable capital assets	<u>15,435</u>	<u>14,761</u>	<u>24,469</u>	<u>5,727</u>
Total capital assets, net of accumulated depreciation	<u>\$ 179,091</u>	<u>\$ 33,955</u>	<u>\$ 24,472</u>	<u>\$ 188,574</u>

## Intercollegiate Athletic Programs Reconciliation of Cash to NCAA Report

For the year ended June 30, 2021  
(all dollars in millions)

	<u>Revenues</u>	<u>Expenses</u>	<u>Net Income/Deficit</u>
Cash Basis Per BOV Financial Performance Report	\$ 65.8	\$ 62.8	\$ 3.0
Accounts Receivable			-
Reversal of FY21 revenue accruals	(8.8)		(8.8)
FY 21 ACC revenue received in FY 22	8.9		8.9
NCAA Adjustments FY21			-
Athletic scholarships	14.6	14.6	-
Foundation athletic expenses	1.9	1.9	-
Waived overhead	4.2	4.2	-
Student academic advisors	1.3	1.3	-
Apparel contract	1.0	1.0	-
ACC expense	2.4	2.4	-
Maintenance reserve contribution		(1.7)	1.7
Other Accruals	<u>1.4</u>	<u>1.5</u>	<u>(0.1)</u>
NCAA Report	<u><u>\$ 92.7</u></u>	<u><u>\$ 88.0</u></u>	<u><u>\$ 4.7</u></u>

# Auditor of Public Accounts Draft Report on Intercollegiate Athletics Programs

KEN MILLER, VICE PRESIDENT FOR FINANCE

MELINDA WEST, ASSOCIATE VICE PRESIDENT FOR  
FINANCE AND UNIVERSITY CONTROLLER

APRIL 3, 2022

# *NCAA Annual Report Overview*

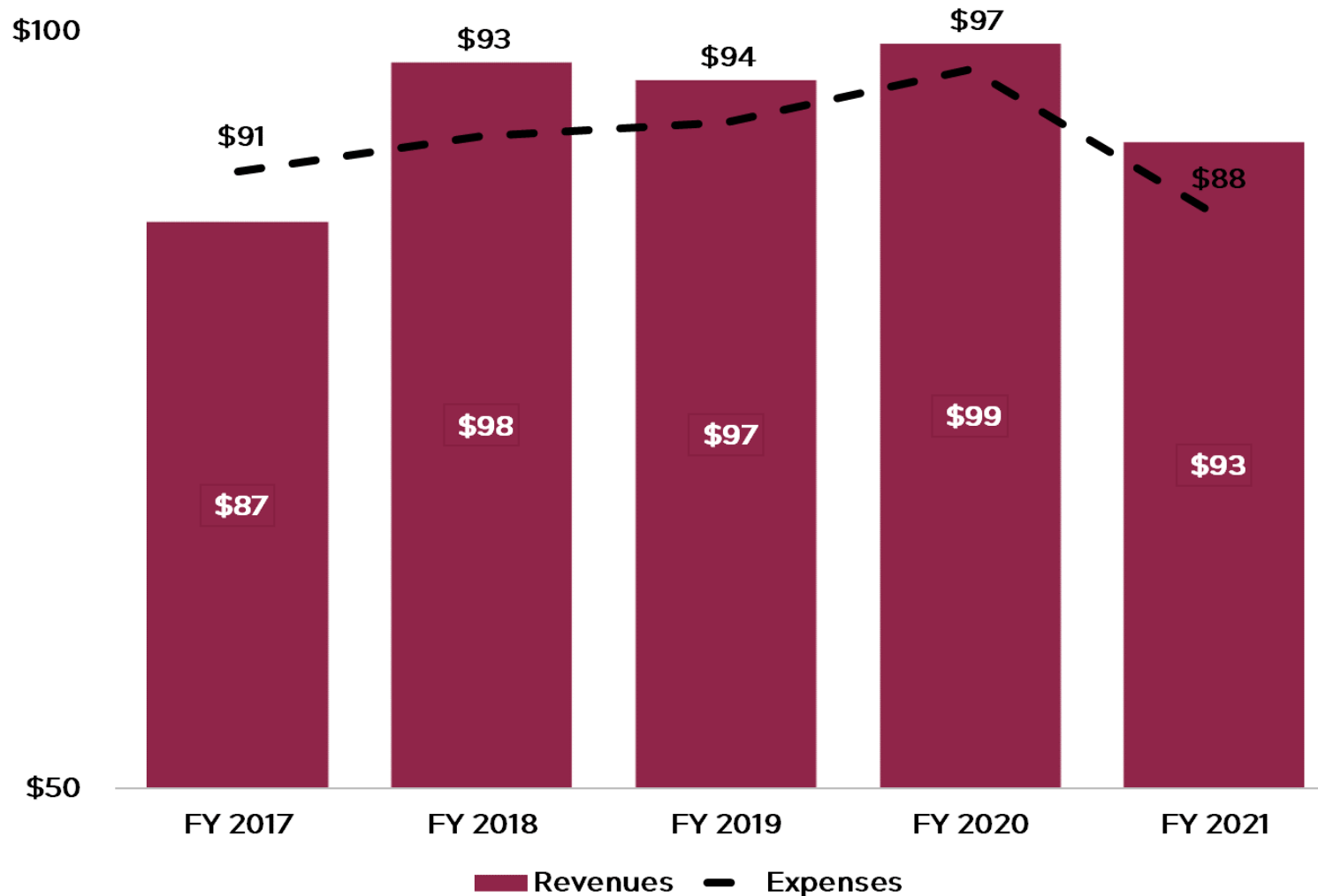
- National Collegiate Athletic Association (NCAA) constitution requires an annual Schedule of Revenues and Expenses of Intercollegiate Athletics Program (Schedule)
- Auditor of Public Accounts (APA) performs certain agreed-upon procedures to evaluate the university's Schedule complies with NCAA rules
- APA review is in progress and the final report will be provided to the BOV
  - The university is not aware of any matters identified by the APA requiring adjustments to the Schedule
- NCAA report differs from the cash basis quarterly financial performance report as it is accrual basis and includes revenues and expenditures for items paid by outside parties (e.g., Virginia Tech Foundation)

# Intercollegiate Athletic Programs Revenues & Expenses

Attachment G

For the years ended June 30, 2017 - 2021

(all dollars in millions)



# Revenue Line Items with Significant Increase (Decrease)

## For the years ended June 30, 2021 and 2020

(all dollars in thousands)

	2021	2020	Change	
			Amount	Percent
Operating revenues				
Ticket Sales	\$ 49.0	\$ 19,200.0	\$ (19,151.0)	(99.7)%
Direct government support (HEERF)	13,028.3	0.0	13,028.3	COVID RELIEF
Indirect institutional support*	5,447.3	0.0	5,447.3	*
Contributions	16,241.9	21,806.8	(5,564.9)	(25.5)%
NCAA distributions	3,601.3	1,536.1	2,065.2	134.4 %
Program, novelty, parking, and concession sales	137.4	1,697.0	(1,559.6)	(91.9)%
			<u>\$ (5,734.7)</u>	

\*Revenue and expense grossed up for university E&G support including student athlete academic support expenditures and waived indirect costs as permitted by the Commonwealth for FY21 in response to pandemic related financial impact on university auxiliary operations.

# Expense Line Items with Significant Increase (Decrease)

For the years ended June 30, 2021 and 2020  
(all dollars in thousands)

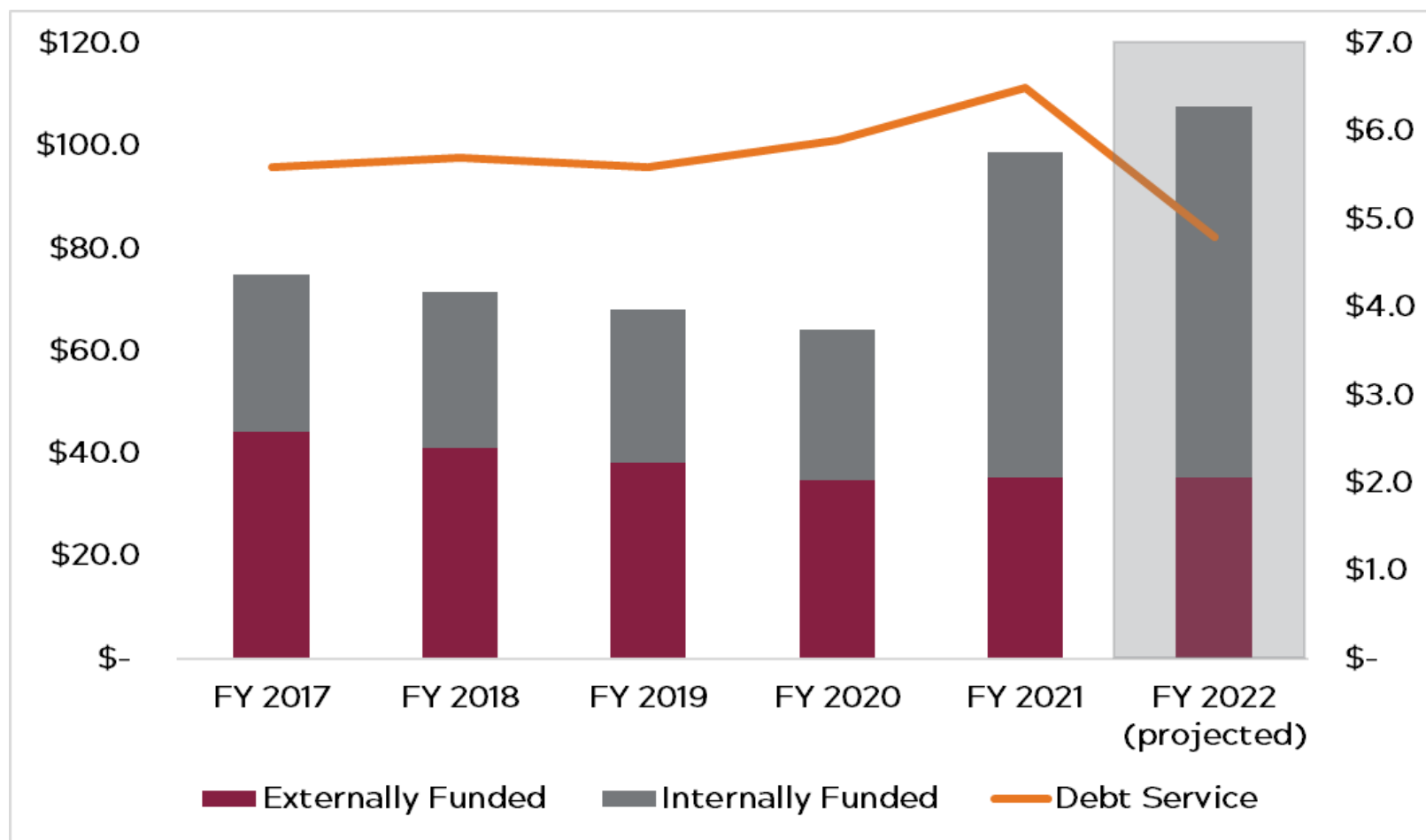
	2021	2020	Change	
			Amount	Percent
Operating expenses				
Athletic student aid	14,548.9	15,656.6	(1,107.7)	(7.1)%
Guarantees	721.4	2,134.1	(1,412.7)	(66.2)%
Salaries, Benefits, Bonuses	35,290.4	36,737.6	(1,447.2)	(3.9)%
Recruiting	232.7	1,876.9	(1,644.2)	(87.6)%
Team travel	2,636.2	3,925.7	(1,289.5)	(32.8)%
Game expenses	1,558.4	4,736.4	(3,178.0)	(67.1)%
Indirect institutional support*	5,447.3	0.0	5,447.3	*
Indirect cost paid to institution by athletics	535.5	5,306.5	(4,771.0)	(89.9)%
Direct overhead and administrative expenses	5,286.7	7,336.0	(2,049.3)	(27.9)%
Football bowl expenses	72.3	1,607.0	(1,534.7)	(95.5)%
Other operating expenses	6,221.6	4,671.9	1,549.7	33.2 %
			<u>\$ (11,437.3)</u>	

\*Revenue and expense grossed up for university E&G support including student athlete academic support expenditures and waived indirect costs as permitted by the Commonwealth for FY21 in response to pandemic related financial impact on university auxiliary operations.

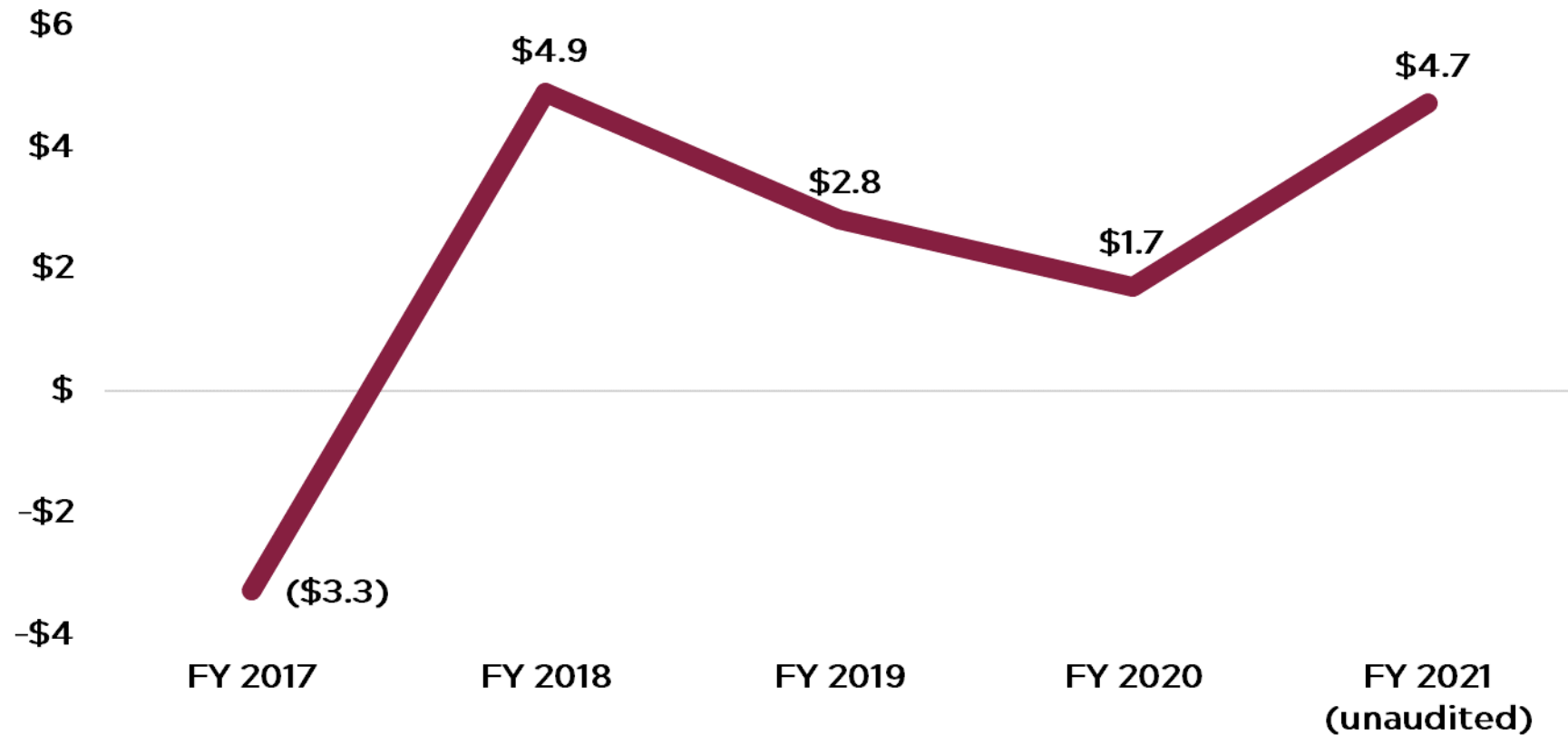


# Intercollegiate Athletic Programs Long-Term Debt

For the years ended June 30, 2017 - 2022  
(all dollars in millions)



# Intercollegiate Athletic Programs Net Operating Income (Deficit) For the years ended June 30, 2017 - 2021 (all dollars in millions)

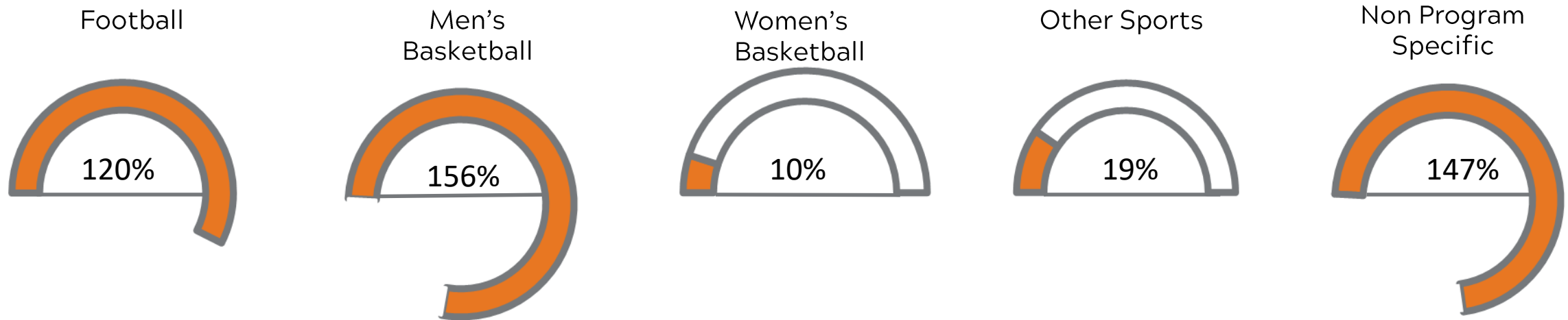


# Intercollegiate Athletic Programs

Attachment G

## Net Operating Income (Deficit) - including the impact of COVID

FY 2021 Unaudited  
(all dollars in millions)



	Revenue		Expenses		Net Income/(Deficit)
Football	\$	32.0	\$	26.7	\$ 5.3
Men's Basketball		10.4		6.7	3.7
Women's Basketball		0.4		3.6	(3.2)
Other Sports*		3.7		19.6	(15.9)
Non Program Specific**		46.2		31.4	14.8
	\$	92.7	\$	88.0	\$ 4.7

\*Other Sports is the total of Men's Other Sports, Women's Other Sports. There are 16 other sports programs such as baseball, softball, golf, tennis, track & field, etc.

\*\*Non Program Specific includes revenues and expenses that cannot be attributed to a specific sport and support the overall function of the Athletic program.

# Intercollegiate Athletic Programs Reconciliation of Cash to NCAA Report

Attachment G

*FY 2021*  
*(all dollars in millions)*

	<u>Revenues</u>	<u>Expenses</u>	<u>Net Income/Deficit</u>
Cash Basis Per BOV Financial Performance Report	\$ 65.8	\$ 62.8	\$ 3.0
Accounts Receivable			-
Reversal of FY21 revenue accruals	(8.8)		(8.8)
FY 21 ACC revenue received in FY 22	8.9		8.9
NCAA Adjustments FY21			-
Athletic scholarships	14.6	14.6	-
Foundation athletic expenses	1.9	1.9	-
Waived overhead	4.2	4.2	-
Student academic advisors	1.3	1.3	-
Apparel contract	1.0	1.0	-
ACC expense	2.4	2.4	-
Maintenance reserve contribution		(1.7)	1.7
Other Accruals	<u>1.4</u>	<u>1.5</u>	<u>(0.1)</u>
NCAA Report	<u>\$ 92.7</u>	<u>\$ 88.0</u>	<u>\$ 4.7</u>

# DISCUSSION

---

---

---



# VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

## INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts  
Staci A. Henshaw, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

(804) 225-3350



**–TABLE OF CONTENTS–**Pages

INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES	1-7
SCHEDULE	
Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	8
Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	9-12
UNIVERSITY OFFICIALS	13



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

March 7, 2022

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

Timothy D. Sands  
President, Virginia Polytechnic Institute and State University

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

University management has agreed to and acknowledged that the procedures 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 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, 2021, 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:

<u>Line Item</u>	<u>Explanation</u>
Admin Salaries (Budget Item)	The university had a \$4.5 million or 93 percent difference between budgeted and actual admin salaries due to the budget for football being held in the admin salary fund instead of being allocated out to the football fund where the actual year-to-date expenses were recorded.
Direct state or other government support	The direct state or other government support line item of \$13 million is new to the Schedule for fiscal year 2021 to reflect an allocation of federal Higher Education Emergency Relief Funding (HEERF) to offset lost revenue caused by the COVID-19 pandemic.
Contributions	The reduction of \$5.6 million or 25.5 percent in contributions is due to a decrease in funds drawn from the Virginia Tech Foundation to cover scholarship and other operating expenses.

### **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 the amount of direct state or other government support revenue from the Schedule. We compared amounts to corroborative supporting documentation and noted them to be substantially in agreement.
11. We obtained documentation of the university'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.
12. We compared amounts reported in the Schedule for indirect institutional support to corroborative supporting documentation and noted them to be substantially in agreement.

13. 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 Tech Foundation, Inc., 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 Tech Foundation, Inc., which exceeded ten percent of all contributions and agreed them to supporting documentation. We identified a reconciling difference of \$2,969 between the amount reported in the Schedule and the amount reported as contributions by the Virginia Tech Foundation.
14. We obtained the amount of in-kind revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
15. Intercollegiate Athletics Department management provided us with a listing and copy of the agreements related to media rights. We gained an understanding of the relevant terms of the agreement and agreed selected amounts to proper posting in the accounting records and supporting documentation. We identified a reconciling difference of \$18,896 between the amount reported on the Schedule and the amount reported in the accounting system. Following adjustment, media rights revenue has been properly reported in the Schedule.
16. We obtained the amount of NCAA distribution revenue from the Schedule. We agreed amounts to corroborative supporting documentation and noted them to be substantially in agreement.
17. We obtained the amount of conference distributions (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 conference distributions of football bowl generated revenue from the Schedule. After reclassifying \$6,657,296 from conference distributions (non-media and non-football bowl) to conference distributions of football bowl generated revenue, we deemed the amount to be properly reported in the Schedule.
19. 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.
20. We obtained the amount of royalties, licensing, advertisement, and sponsorships 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 revenue 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.

### **Expenses**

23. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. Since the university used the ARMS software to prepare athletic aid detail, we selected 60 individual student-athletes across all sports and obtained the students' account detail from the university'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.
24. We obtained the amount of guarantee expense from the Schedule. The 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 from the Schedule. The amount was deemed to be immaterial for detailed testing.
27. We obtained the amount of recruiting and team travel expense from the Schedule. These amounts were deemed to be immaterial for detailed testing.
28. We selected a sample of disbursements for direct overhead and administration and other operating expenses from the Schedule. 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 the amount of lease payments and rental fees from the Schedule. The amount was deemed to be immaterial for detailed testing.
30. We obtained a listing of debt service payments for athletics facilities for the reporting year. We selected a sample of debt 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 and general ledger.
34. We agreed the fair value of athletics-dedicated endowments to supporting documentation provided by the university's foundation.
35. We agreed the fair value of institutional endowments to supporting documentation provided by the university's foundation.
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 recalculated 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 ARMS 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 university'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 university'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.

We were engaged by university management to perform this agreed-upon procedures engagement and 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, 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 university 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 Tech and its President 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

JRQ/vks

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

	Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
<b>Operating revenues:</b>							
Ticket sales	\$ -	\$ 3,180	\$ -	\$ 45,880	\$ -	\$ -	\$ 49,060
Direct state or other government support	-	-	-	-	-	13,028,286	13,028,286
Student fees	-	-	-	-	2,536,926	8,353,029	10,889,955
Direct institutional support	-	584	-	1,597	1,534	-	3,715
Indirect Institutional Support	-	-	-	-	-	5,447,267	5,447,267
Contributions	2,190,290	41,959	10,094	194,572	115,889	13,689,130	16,241,934
In-Kind	7,755	48,223	-	-	3,104	28,287	87,369
Media rights	21,701,689	7,702,508	290,030	-	-	25,897	29,720,124
NCAA distributions	-	2,302,320	-	-	-	1,298,946	3,601,266
Conference distributions (non-media and non-football bowl)	-	262,337	-	35,000	119,000	-	416,337
Conference distributions of football bowl generated revenue	6,657,296	-	-	-	-	-	6,657,296
Program, novelty, parking, and concession sales	136,615	-	-	-	-	805	137,420
Royalties, licensing, advertisement and sponsorships	1,230,973	72,500	72,500	293,003	232,140	996,372	2,897,488
Athletics-Restricted endowment and investments income	33,069	-	-	-	-	2,914,901	2,947,970
Other operating revenue	-	-	-	62,665	62,833	434,660	560,158
Total operating revenues	31,957,687	10,433,611	372,624	632,717	3,071,426	46,217,580	92,685,645
<b>Operating expenses:</b>							
Athletic student aid	4,562,916	725,868	857,033	3,367,277	4,769,046	266,762	14,548,902
Guarantees	419,000	215,000	59,164	23,998	4,221	-	721,383
Coaching salaries, benefits, and bonuses paid by the university and related entities	8,410,355	3,315,870	1,238,965	3,071,442	2,695,626	-	18,732,258
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	1,879,385	805,090	544,199	450,954	249,860	12,628,724	16,558,212
Severance payments	115,612	63,890	16,039	11,841	14,504	141,699	363,585
Recruiting	86,362	57,040	60,249	18,208	10,823	-	232,682
Team travel	772,872	337,856	196,984	681,059	647,393	-	2,636,164
Sports equipment, uniforms, and supplies	1,613,980	114,810	27,690	523,555	370,180	311,983	2,962,198
Game expenses	402,633	63,476	50,572	145,109	92,363	804,264	1,558,417
Fundraising, marketing and promotion	132,991	16,776	6,440	30,801	19,106	847,494	1,053,608
Sports camp expenses	25	-	-	-	-	-	25
Spirit groups	144,545	-	-	-	-	116,338	260,883
Athletic facility leases and rental fees	-	-	-	126,192	125,720	-	251,912
Athletic facility debt service	3,597,483	279,935	279,935	-	-	2,301,593	6,458,946
Direct overhead and administrative expenses	2,115,195	429,866	65,152	271,737	199,389	2,205,334	5,286,673
Indirect institutional support	-	-	-	-	-	5,447,267	5,447,267
Indirect cost paid to the institution by athletics	75,744	-	-	-	-	459,769	535,513
Medical expenses and insurance	239,723	34,362	43,095	249,957	283,331	992,450	1,842,918
Memberships and dues	4,984	355	944	23,037	20,775	20,981	71,076
Student-Athlete meals (non-travel)	1,074,654	116,098	57,540	447,418	356,259	89,031	2,141,000
Other operating expenses	979,155	112,754	68,906	199,341	92,360	4,769,112	6,221,628
Football bowl expenses	72,259	-	-	-	-	-	72,259
Total operating expenses	26,699,873	6,689,046	3,572,907	9,641,926	9,950,956	31,402,801	87,957,509
Excess (deficiency) of revenues over (under) expenses	\$ 5,257,814	\$ 3,744,565	\$ (3,200,283)	\$ (9,009,209)	\$ (6,879,530)	\$ 14,814,779	\$ 4,728,136
<b>Other Reporting Items:</b>							
Total athletics-related debt							\$ 98,863,000
Total institutional debt							\$ 485,361,000
Value of athletics-dedicated endowments							\$ 73,420,735
Value of institutional endowments							\$ 1,583,719,452
Total athletics-related capital expenditures							\$ 17,311,000

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

**VIRGINIA TECH**  
**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 the Schedule is to present a summary of revenues and expenses of the intercollegiate athletic programs of the university for the year ended June 30, 2021. 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 fund balances, or cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

**2. AFFILIATED ORGANIZATIONS**

The university received \$19,189,903 from the Virginia Tech Foundation, Inc. Approximately \$14,548,902 of these funds were used for grant-in-aid scholarships for student-athletes. These amounts received are included in the accompanying Schedule as follows: \$12,247,154 is included in the Contributions line item and \$2,301,748 is included in the Athletics-Restricted Endowment and Investments Income line item.

**3. LONG-TERM DEBT**

Externally-Funded debt

The university, on behalf of the Intercollegiate Athletic Department, has obtained debt financing for capital improvement projects as needed. These debts usually consist of Section 9(d) revenue bonds issued by the university or notes payable issued through the Virginia College Building Authority (VCBA) and will be repaid by the department using operating revenues and private fundraising proceeds. Outstanding principal as of June 30, 2021 (in dollars):



<b>Project</b>	<b>Maturity</b>	<b>Principal</b>
Indoor Practice Facility		
Series 2015B, 9(d) revenue bond	2035	\$ 510,000
Series 2021, 9(d) revenue bond	2036	40,000
Lane Stadium - West Side Expansion		
Series 2021, 9(d) refunding revenue bond	2041	21,825,000
Lane Stadium - South End Zone		
Series 2021, 9(d) refunding revenue bond	2041	7,055,000
Hahn Hurst Basketball Practice Center		
Series 2021, 9(d) refunding revenue bond	2041	<u>6,075,000</u>
		<u>\$35,505,000</u>

#### Internally-Funded debt

The university has internally loaned the Intercollegiate Athletic Department funds for capital improvement projects as needed. These debts will be repaid by the department using operating revenues and private fundraising proceeds. Outstanding principal as of June 30, 2021 (all dollars):

<b>Project</b>	<b>Maturity</b>	<b>Principal</b>
Student Athletic Performance Center	2030	\$ 4,248,000
ACC Media Studio	2031	10,250,000
Creativity & Innovation District	2041	21,200,000
Baseball Stadium and Rector Field House	2045	<u>27,660,000</u>
		<u>\$63,358,000</u>

A summary of future principal and interest commitments for fiscal years subsequent to June 30, 2021 is presented as follows (all dollars):

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 3,049,000	\$ 1,751,000	\$ 4,800,000
2023	3,098,000	1,645,000	4,743,000
2024	4,864,000	1,592,000	6,456,000
2025	5,175,000	1,531,000	6,706,000
2026	4,987,000	1,460,000	6,447,000
2027-2031	25,088,000	6,167,000	31,255,000
2032-2036	19,882,000	4,183,000	24,065,000
2037-2041	21,538,000	2,189,000	23,727,000
2042-2045	<u>11,182,000</u>	<u>427,000</u>	<u>11,609,000</u>
	<u>\$98,863,000</u>	<u>\$20,945,000</u>	<u>\$119,808,000</u>

#### 4. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the university charges the Intercollegiate Athletic Department an administrative fee. For fiscal year 2021, the university was authorized by the state to reduce the amount of administrative fee charged to the auxiliaries due to the significant financial impact on auxiliary enterprises caused by the COVID-19 pandemic. During the fiscal year the Intercollegiate Athletic Department paid \$535,513 to the university. This amount is included on the Indirect Cost Paid to the Institution by Athletics line item and includes \$75,744 in Football and \$459,769 in the Non-Program Specific category. The university waived \$4,165,940 of the administrative fee which is included in the Non-Program Specific category of the Indirect Institutional Support line item.

#### 5. 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 fair marketvalue as of the donation date.

Equipment is capitalized when the unit acquisition cost is \$2,000 or greater and the estimated useful life is one year or more. Software is capitalized when the acquisition and/or the development costs exceed \$100,000. Renovation costs are capitalized when expenses total more than \$100,000, the asset value significantly increases, or 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 40 to 60 years for buildings, ten to 50 years for infrastructure and land improvements, and three to 30 years for fixed and movable equipment.

A summary of changes in capital assets follows for the year ending June 30, 2021 (all dollars in thousands):

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Depreciable capital assets				
Buildings	\$ 209,592	\$ 22,540	\$ 63	\$232,069
Moveable equipment	13,595	1,600	39	15,156
Software	313	-	-	313
Fixed equipment	13,101	1,487	-	14,588
Infrastructure	<u>20,547</u>	<u>1,392</u>	<u>628</u>	<u>21,311</u>
Total depreciable capital assets, at cost	257,148	27,019	730	283,437
Less accumulated depreciation:				
Buildings	\$ 63,134	\$ 5,076	\$ 63	\$ 68,147
Moveable equipment	6,644	1,357	36	7,965
Software	285	9	-	294
Fixed equipment	5,502	681	-	6,183
Infrastructure	<u>17,927</u>	<u>702</u>	<u>628</u>	<u>18,001</u>
Total accumulated depreciation	93,492	7,825	727	100,590
Total depreciable capital assets net of accumulated depreciation	163,656	19,194	3	182,847
Non-depreciable capital assets				
Construction in progress	<u>15,435</u>	<u>14,761</u>	<u>24,469</u>	<u>5,727</u>
Total non-depreciable capital assets	<u>15,435</u>	<u>14,761</u>	<u>24,469</u>	<u>5,727</u>
Total capital assets, net of accumulated depreciation	<u>\$ 179,091</u>	<u>\$ 33,955</u>	<u>\$ 24,472</u>	<u>\$ 188,574</u>

**VIRGINIA TECH**

As of June 30, 2021

**BOARD OF VISITORS**

Horacio A. Valeiras  
Rector

Letitia A. Long  
Vice Rector

Edward H. Baine	Sharon Brickhouse Martin
Shelley Butler Barlow	Melissa Byrne Nelson
Carrie H. Chenery	L. Chris Petersen
Greta J. Harris	Mehul P. Sanghani
Charles T. Hill	Jeffrey E. Veatch
Anna L. James	Preston M. White

Kim O'Rourke  
Secretary to the Board of Visitors

**UNIVERSITY OFFICIALS**

Timothy D. Sands  
President

Whit Babcock  
Director of Intercollegiate Athletics Programs