



THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2014

Auditor of Public Accounts
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January 8, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
And Review Commission

W. Taylor Reveley, III
President, The College of William and Mary

INDEPENDENT AUDITOR'S REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of **The College of William and Mary**, solely to assist the College in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the College is in compliance with National Collegiate Athletic Association (NCAA) Constitution 3.2.4.16, for the year ended June 30, 2014. College management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the College. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with our audit of the College's financial

statements. In addition, we identified and reviewed those controls unique to Intercollegiate Athletics Programs, which were not reviewed in connection with our audit of the College's financial statements.

2. Intercollegiate Athletics Department management provided an organizational chart which we reviewed with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.
3. Intercollegiate Athletics Department management provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Intercollegiate Athletics Programs.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. Intercollegiate Athletics Department management prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. Intercollegiate Athletics Department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2014, as prepared by the College and shown in this report. We recalculated the addition of the amounts in the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts in management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the revenue and expense amounts reported in the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and review of actual

amounts in comparison to budget estimates. We obtained and documented an understanding of significant variations.

Revenues

9. We performed a walkthrough of ticket sales operations to include cash handling, daily sales operations, and reconciliation of tickets sold to cash collected. This amount was deemed to be immaterial for detailed testing.
10. We compared student fees reported in the Schedule to amounts reported in the accounting records and amounts from the University's comprehensive fee allocated to intercollegiate athletics. We found these amounts to be materially in agreement.
11. Intercollegiate Athletics Department management provided us with a listing of game guarantee agreements for away games during the reporting period. This amount was deemed to be immaterial for detailed testing.
12. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by the Intercollegiate Athletics Programs from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. Except for contributions received from the Athletic Education Foundation of The College of William and Mary in Virginia, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs.
13. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we selected individual contribution amounts and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
14. We obtained amounts reported in the Schedule for direct institutional support and indirect facilities and administrative support. These amounts were deemed to be immaterial for detailed testing.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.

16. We made inquiries of Intercollegiate Athletics Department management regarding participation in revenues from broadcast, television, radio, and internet rights. This amount was deemed to be immaterial for detailed testing.
17. We made inquiries of Intercollegiate Athletics Department management regarding agreements related to participation in revenues from royalties, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.
18. We obtained an understanding of the College's methodology for recording revenues from sport camps. This amount was deemed to be immaterial for detailed testing.
19. We made inquiries regarding endowment agreements to gain an understanding of the relevant terms and conditions of the agreement. We compared the use and classification of endowment and investment income to supporting documentation.

Expenses

20. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. We selected individual student-athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.
21. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing.
22. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the College during the reporting period. We selected and tested individuals 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.
23. We discussed the Intercollegiate Athletics Department's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies. We compared these policies to existing College and NCAA policies and noted substantial agreement of those policies.
24. We obtained an understanding of the College's methodology for allocating indirect facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.

25. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the Intercollegiate Athletics Programs. These disbursements were for the various activities listed within the Schedule. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we conducted an audit of any financial statements of the Intercollegiate Athletics Department of the College of William and Mary in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the College. This report relates only to the accounts and items specified above and does not extend to the financial statements of the College of William and Mary or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the College and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


AUDITOR OF PUBLIC ACCOUNTS

EMS/clj

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the Year Ended June 30, 2014

	Football	Men's Basketball	Women's Basketball	Other* Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 647,097	\$ 156,691	\$ 7,746	\$ 42,216	\$ -	\$ 853,750
Student fees	-	-	-	-	11,741,918	11,741,918
Guarantees	300,000	292,000	21,500	19,950	-	633,450
Contributions (Note 2)	2,313,402	719,896	124,292	1,156,019	404,500	4,718,109
Direct institutional support	-	-	-	55,000	1,127	56,127
Indirect facilities and administrative support	352,259	31,006	55,195	357,496	97,326	893,282
NCAA/conference distributions including all tournament revenue	214,725	305,651	75,340	620,293	169,455	1,385,464
Broadcast, television, radio & internet rights	-	-	-	-	19,230	19,230
Program sales, concessions, novelty sales & parking	66,871	4,664	699	-	-	72,234
Royalties, advertisements and sponsorships	299,653	65,128	39,180	234,361	263,103	901,425
Sports camp revenues	-	-	-	7,883	25,355	33,238
Endowment and investment income (Note 3)	702,387	181,222	127,570	821,698	83,233	1,916,110
Other	14,602	7,341	555	271,281	146,813	440,592
Total operating revenues	4,910,996	1,763,599	452,077	3,586,197	12,952,060	23,664,929
Operating expenses:						
Athletics student aid	2,383,493	637,896	590,365	3,948,869	23,500	7,584,123
Guarantees	-	4,000	-	18,010	-	22,010
Coaching salaries, benefits, and bonuses paid by the College and related entities	1,137,898	619,697	434,323	1,933,072	-	4,124,990
Support staff/administrative salaries, benefits, and bonuses paid by the College and related entities	53,437	68,358	57,561	1,238	3,125,152	3,305,746
Recruiting	123,204	92,614	42,203	154,089	-	412,110
Team travel	353,220	277,636	155,898	1,068,302	-	1,855,056
Equipment, uniforms and supplies	227,999	42,178	43,708	456,937	74,064	844,886
Game expenses	215,434	126,404	75,807	336,590	-	754,235
Fund raising, marketing and promotion	539	725	997	8,326	523,388	533,975
Direct facilities, maintenance and rental	1,083,164	163	-	700,556	47,960	1,831,843
Spirit groups	-	-	-	-	44,643	44,643
Indirect facilities and administrative support	352,259	31,006	55,195	357,496	97,326	893,282
Medical expenses and medical insurance	7,210	1,465	915	4,890	359,807	374,287
Memberships and dues	190	815	748	5,417	89,007	96,177
Other	62,962	41,164	19,418	83,337	780,644	987,525
Total operating expenses	6,001,009	1,944,121	1,477,138	9,077,129	5,165,491	23,664,888
Excess (deficiency) of revenues over (under) expenses	<u>\$ (1,090,013)</u>	<u>\$ (180,522)</u>	<u>\$ (1,025,061)</u>	<u>\$ (5,490,932)</u>	<u>\$ 7,786,569</u>	<u>\$ 41</u>

* Other sports include baseball, field hockey, golf, gymnastics, lacrosse, soccer, swimming, tennis, track and field, and volleyball.

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

THE COLLEGE OF WILLIAM AND MARY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
AS OF JUNE 30, 2014

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs has been prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of revenues and expenses of the Intercollegiate Athletics Programs of the College for the year ended June 30, 2014, and includes both those intercollegiate athletics revenues and expenses under the direct accounting control of the College and those on behalf of the College's Intercollegiate Athletics Programs by outside organizations not under the College's control. Because the Schedule presents only a selected portion of the College's activities, it is not intended to, and does not present the financial position, changes in financial position, or cash flows for the year ended June 30, 2014. Revenues and expenses directly identifiable with each category of sport are presented and reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. CONTRIBUTIONS

The Athletic Educational Foundation (AEF) of the College of William and Mary in Virginia, Incorporated, also referred to as the Tribe Club, raises funds and collects contributions for the benefit of the Intercollegiate Athletics Department. The College received \$3,576,746 from the AEF during the year ended June 30, 2014.

The AEF receives directly from various individuals and businesses donations in the form of goods or services for the athletic program. The College received \$1,141,363 from individuals and businesses in donations during the year ended June 30, 2014, including \$530,745 through the College of William and Mary Foundation for capital improvements to Zable Stadium which serves the Football and Men's and Women's Track programs.

3. ENDOWMENT AND INVESTMENT INCOME

The College of William and Mary Foundation is authorized to receive and administer gifts and bequests of all kinds. The Foundation makes such resources available to the College, which may be drawn as needed by the College within the Foundation's budgetary restrictions. The College received \$1,916,110 of endowment and investment income from the Foundation for the benefit of the Intercollegiate Athletics Department for the year ended June 30, 2014.

4. CAPITAL ASSETS

Capital assets are recorded at historical cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Construction expenses for capital assets and improvements are capitalized when expended. The College's capitalization policy on equipment includes all items with an estimated useful life of two years or more. The William and Mary campus capitalizes all items with a unit price greater than or equal to \$5,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	40-50 years
Improvements other than Buildings	10-50 years
Infrastructure	10-50 years
Equipment	2-30 years
Library Books	10 years

A summary of the capital asset ending balances net of accumulated depreciation for the year ending June 30, 2014, is as follows:

Depreciable capital assets:	
Buildings	\$28,746,571
Improvements other than Buildings	1,051,718
Infrastructure	2,628,105
Equipment	<u>2,723,064</u>
Total depreciable capital assets	<u>35,149,458</u>
Less Accumulated depreciation for:	
Buildings	10,713,833
Improvements other than Buildings	415,394
Infrastructure	2,258,642
Equipment	<u>1,805,974</u>
Total accumulated depreciation	<u>15,193,843</u>
Total capital assets, net	<u>\$19,955,615</u>

5. LONG-TERM DEBT

Long-term debt relating to intercollegiate athletics is shown below.

<u>Description</u>	<u>Interest Rates (%)</u>	<u>Maturity</u>	<u>Balance as of June 30, 2014</u>	<u>% used by Athletics</u>	<u>Athletics Balance June 30, 2014</u>
Section 9(d) Bonds:					
William and Mary Hall, Series 2004B	3.000-5.000	2016	430,000	85%	\$ 365,500
William and Mary Hall, Series 2007B	4.000-4.250	2018	165,000	85%	140,250
Recreation Sports Center, Series 2004A	3.500-5.000	2015	365,000	15%	54,750
Recreation Sports Center, Series 2005A	3.500-5.000	2026	555,000	15%	83,250
Recreation Sports Center, Series 2010B	2.000-5.000	2021	220,000	15%	33,000
Recreation Sports Center, Series 2012A	3.000-5.000	2024	315,000	15%	47,250
Recreation Sports Center, Series 2012A	3.000-5.000	2025	4,585,000	15%	687,750
Recreation Sports Center, Series 2012A	3.000-5.000	2025	1,225,000	15%	183,750
Improve Athletics Facilities, Series 2005A	3.500-5.000	2026	770,000	100%	770,000
Improve Athletics Facilities, Series 2006A	3.000-5.000	2027	590,000	100%	590,000
Improve Athletics Facilities, Series 2012A	3.000-5.000	2025	1,655,000	100%	1,655,000
Improve Athletics Facilities II, Series 2013A&B	2.000-5.000	2034	1,555,000	100%	1,555,000
J. Laycock Football Facility, Series 2006A	3.000-5.000	2027	4,235,000	100%	4,235,000
Busch Field AstroTurf Replacement 2009B	3.000-5.000	2030	1,240,000	100%	1,240,000
Total					\$ 11,640,500

Long-term debt matures as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	678,500	513,914
2016	762,000	478,177
2017	805,750	439,258
2018	843,000	398,656
2019	735,750	360,272
2020-2024	4,245,250	1,216,386
2025-2029	2,935,250	323,531
2030-2034	635,000	57,250
Total	\$ 11,640,500	\$ 3,787,444

6. INDIRECT COSTS

The College recovers a percentage of each auxiliary enterprise's expenses, including athletics, to cover overhead costs such as utilities and custodial services. In the fiscal year ended June 30, 2014, the overhead rate charged to athletics and other auxiliary enterprise was 22.39 percent. This amount is included in other operating expenses, under the category "Non-Program Specific."

THE COLLEGE OF WILLIAM AND MARY

Williamsburg, Va

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