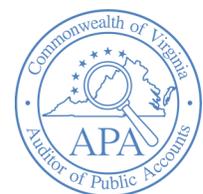




# THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

## INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2015

Auditor of Public Accounts  
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Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

January 11, 2016

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable Robert D. Orrock, Sr.  
Vice-Chairman, Joint Legislative Audit  
And Review Commission

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

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

We have performed the procedures enumerated below, which were agreed to by the President of the 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 3.2.4.15, for the year ended June 30, 2015. 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 generally accepted government auditing standards. 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

Procedures described below were limited based to material items. For the purpose of this report, and as defined in the agreed-upon procedures, items are considered material if they exceed one-half of one percent of total revenues or total expenses, as applicable. The procedures that we performed and our findings are as follows:

## **Internal Controls**

1. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with our audit of the 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 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 procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Intercollegiate Athletics Programs. We tested these procedures as noted below.

## **Affiliated and Outside Organizations**

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

## **Schedule of Revenues and Expenses of Intercollegiate Athletics Programs**

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2015, 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. Certain amounts in the Schedule were reclassified to conform with new reporting guidance issued by the NCAA.

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. Variations exceeding one million dollars or ten percent are explained below:

<b>Line Item</b>	<b>Explanation</b>
Student fees	<p>Student Fees revenue increased \$1,904,564 from the previous year. This is a primarily the result of three items:</p> <ol style="list-style-type: none"> <li>1. In the prior year, the College recognized revenues received to service the Athletics Facilities debt as Indirect Institutional Support. The source of this revenue was Student Fees. The College reclassified this revenue as such for this fiscal year. This accounts for \$893,820 of the variance.</li> <li>2. In the prior year, the College did not recognize the debt service payments and corresponding revenue related to William and Mary Hall and the Recreational Sports Center. The College reports that 85 percent of the William and Mary Hall debt and 15 percent of the Recreation Sports Center debt are allocated to the Intercollegiate Athletics Department. This fiscal year, the College rightfully recognized both the expense and corresponding revenue in the Schedule. The source of that revenue is Student Fees. This accounts for \$261,083 of the variance.</li> <li>3. Full-time student enrollment for the 2014-2015 academic year increased by 35 students and the Intercollegiate Athletics fee increased by \$90 per student. These two items accounted for approximately \$767,745 of the variance.</li> </ol>
Contributions	<p>Contributions revenue decreased \$477,533 from the previous year. This decrease resulted from clarified guidance provided by the NCAA that capital contributions should not be included in the Schedule. In the prior year, the College recognized \$530,755 in capital contributions related to the Zable Stadium capital project. The College continues to receive capital contributions as detailed in Footnote 2; however, those contributions are not reported in the Schedule.</p>

## Revenues

9. Intercollegiate Athletics Department management provided us with tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We compared tickets sold by day to the revenue reported in the schedule and related attendance figures, and noted them to be substantially in agreement.
10. We obtained an understanding of the institution's methodology for allocating student fees to intercollegiate athletics programs. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be substantially in agreement.
11. We compared amounts reported in the Schedule for direct institutional support to institutional budget transfer documentation and/or other corroborative supporting documentation, and noted them to be substantially in agreement.
12. We compared amounts reported in the Schedule for indirect institutional support to expense payments, cost allocation detail and other corroborative supporting documentation and noted them to be substantially in agreement.
13. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for away games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and agreed selected amounts to proper posting in the accounting records and supporting documentation.
14. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by the Intercollegiate Athletics Programs from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. Except for contributions received from the William and Mary Athletic Educational Foundation, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs. We reviewed contributions from the Foundation and agreed them to supporting documentation.
15. Intercollegiate Athletics Department management provided a list of in-kind contributions during the reporting period. This amount was deemed to be immaterial for detailed testing.

16. We obtained the amount of revenues pertaining to broadcast, television, radio, internet, and e-commerce rights. This amount was deemed to be immaterial for detailed testing.
17. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
18. We compared the amount of revenue and a selection of transactions related to program sales, concessions, novelty sales, and parking to the institution's accounting records and supporting documentation.
19. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, licensing, advertisements, and sponsorships. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
20. 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.
21. The College of William and Mary Foundation manages athletics-related endowment funds on behalf of the College. The College has access to request endowment income from the Foundation in accordance with certain budgetary restrictions. We confirmed the amount of athletics restricted endowment and investments income used for operations during the fiscal year with Foundation management and agreed it to the amount reported in the Schedule.
22. We compared the amount of revenue related to other revenue to the amount reported in the Schedule. We performed a statistical analysis to determine reasonableness of items classified as other revenue and determined other revenue to be reasonable.

### **Expenses**

23. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. Since the College used the NCAA Compliance Assistant software to prepare athletic aid detail, we selected ten percent of individual student-athletes across all sports and agreed amounts from the listing to their award letter. We agreed each student's information to ensure accurate reporting in the NCAA Membership Financial Reporting System. We also ensured that

the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.

24. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing.
25. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the College 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. Intercollegiate Athletics Department management provided us with a listing of severance payments made during the reporting period. This amount was deemed to be immaterial for detailed testing.
27. 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.
28. We selected a sample of disbursements for equipment, uniforms, and supplies, game expenses, fundraising, marketing, and promotion, direct overhead and administration, medical expenses and medical insurance, and other operating expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved and reasonable to intercollegiate athletics. After reclassification of three transactions, these transactions were properly recorded in the Schedule.
29. We obtained a listing of debt service payments, lease payments, and rental fees for athletics facilities for the reporting year. We selected a sample of facility payments, including the two highest facility payments, and agreed them to supporting documentation.

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, 2015**

	<b>Football</b>	<b>Men's Basketball</b>	<b>Women's Basketball</b>	<b>Other Sports</b>	<b>Non-Program Specific</b>	<b>Total</b>
<b>Operating revenues:</b>						
Ticket sales	\$ 811,870	\$ 184,529	\$ 8,872	\$ 28,310	\$ -	\$ 1,033,581
Student fees	495,559	-	-	-	13,150,923	13,646,482
Direct institutional support	470	8,887	24,390	162,982	94,787	291,516
Indirect institutional support	18,395	36,305	42,973	46,896	71,853	216,422
Guarantees	358,985	242,600	2,000	25,850	-	629,435
Contributions	1,918,263	787,158	133,533	1,156,483	245,139	4,240,576
In-Kind	28,659	19,618	1,680	10,041	8,112	68,110
Media rights	-	-	-	-	1,510	1,510
NCAA distributions	204,495	277,072	75,216	619,040	192,232	1,368,055
Conference distributions (Non Media or Bowl)	-	-	-	-	1,500	1,500
Program, novelty, parking, and concession sales	115,245	9,012	1,144	356	184	125,941
Royalties, licensing, advertisement and sponsorships	277,829	77,786	42,583	348,392	238,197	984,787
Sports camp revenues	-	-	-	4,557	34,253	38,810
Athletics restricted Endowment and investments income	1,082,309	203,724	102,189	813,510	89,983	2,291,715
Other operating revenue	11,075	737	348	269,474	168,440	450,074
<b>Total operating revenues</b>	<b>5,323,154</b>	<b>1,847,428</b>	<b>434,928</b>	<b>3,485,891</b>	<b>14,297,113</b>	<b>25,388,514</b>
<b>Operating expenses:</b>						
Athletic student aid	2,508,926	637,372	615,534	4,069,001	12,500	7,843,333
Guarantees	90,000	8,230	-	2,905	-	101,135
Coaching salaries, benefits, and bonuses paid by the University and related entities	1,188,638	725,555	442,025	2,078,445	6,392	4,441,055
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	58,067	42,560	47,157	6,395	3,480,653	3,634,832
Severance payments	-	-	-	-	28,000	28,000
Recruiting	134,525	87,946	64,306	152,529	441	439,747
Team travel	428,849	224,839	158,849	1,309,562	2,080	2,124,179
Sports equipment, uniforms, and supplies	258,475	41,924	32,898	594,886	57,421	985,604
Game expenses	235,676	140,248	81,028	292,627	-	749,579
Fundraising, marketing and promotion	492	1,337	556	5,705	610,466	618,556
Spirit groups	-	-	-	-	49,239	49,239
Athletic facilities Debt Service, leases and rental fees	479,357	36,367	31,191	403,436	358,250	1,308,601
Direct overhead and administrative expenses	497,275	6,795	1,896	793,361	138,978	1,438,305
Indirect institutional support	18,395	-	11,782	14,401	18,146	62,724
Medical expenses and insurance	-	-	-	1,083	430,035	431,118
Memberships and dues	-	1,095	754	9,854	97,101	108,804
Other operating expenses	44,459	30,969	27,846	82,658	729,935	915,867
<b>Total operating expenses</b>	<b>5,943,134</b>	<b>1,985,237</b>	<b>1,515,822</b>	<b>9,816,848</b>	<b>6,019,637</b>	<b>25,280,678</b>
<b>Excess (deficiency) of revenues over (under) expenses</b>	<b>\$ (619,980)</b>	<b>\$ (137,809)</b>	<b>\$ (1,080,894)</b>	<b>\$ (6,330,957)</b>	<b>\$ 8,277,476</b>	<b>\$ 107,836</b>
<b>Other Reporting Items:</b>						
Total athletics-related debt						\$ 10,727,000
Total institutional debt						\$ 240,372,009
Value of athletics-dedicated endowments						\$ 77,441,132
Value of institutional endowments						\$ 811,216,974

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 IN VIRGINIA  
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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 Athletics Programs of the College for the year ended June 30, 2015, 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, 2015. 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 \$4,240,576 from the AEF during the year ended June 30, 2015.

The College received \$4,960,343 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. Capital contributions are not reported in the Intercollegiate Athletics Schedule of Revenues and Expenses.

**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 \$2,291,715 of endowment and investment income from the Foundation for the benefit of the Intercollegiate Athletics Department for the year ended June 30, 2015.

#### 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, 2015, is as follows:

<b>Depreciable capital assets:</b>	
Buildings	\$30,452,651
Improvements other than Buildings	1,051,718
Infrastructure	2,628,105
Equipment	<u>2,983,194</u>
Total depreciable capital assets	<u>37,115,668</u>
<b>Less Accumulated depreciation for:</b>	
Buildings	11,369,270
Improvements other than Buildings	503,469
Infrastructure	2,478,638
Equipment	<u>2,047,116</u>
Total accumulated depreciation	<u>16,398,493</u>
Total capital assets, net	<u>\$20,717,175</u>

5. LONG-TERM DEBT

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

<u>Description</u>	Interest Rates (%)	Maturity	Balance as of June 30, 2015	% used by Athletics	Athletics Balance June 30, 2015
Section 9(d) Bonds:					
William and Mary Hall, Series 2007B	4.000- 4.250	2018	165,000	85%	\$ 140,250
William and Mary Hall, Series 2014B	3.000 - 5.000	2017	285,000	85%	242,250
Recreation Sports Center, Series 2005A	3.500 - 5.000	2016	120,000	15%	18,000
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	270,000	15%	40,500
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
Recreation Sports Center, Series 2014B	4.000 - 5.000	2026	310,000	15%	46,500
Improve Athletics Facilities, Series 2005A	3.500 - 5.000	2016	165,000	100%	165,000
Improve Athletics Facilities, Series 2006A	3.000 - 5.000	2027	240,000	100%	240,000
Improve Athletics Facilities, Series 2012A	3.000 - 5.000	2025	1,655,000	100%	1,655,000
Improve Athletics Facilities, Series 2014B	4.000 - 5.000	2026	425,000	100%	425,000
Improve Athletics Facilities, Series 2014B	5.000	2024	280,000	100%	280,000
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	1,725,000	100%	1,725,000
J. Laycock Football Facility, Series 2014B	5.000	2024	2,100,000	100%	2,100,000
Busch Field Astroturf Replacement, Series 2009B	2.000 - 5.000	2030	1,190,000	100%	<u>1,190,000</u>
Total					<u>\$ 10,727,000</u>

Long-term debt matures as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2016	757,750	464,328
2017	790,750	427,081
2018	818,000	387,388
2019	710,750	350,345
2020	741,000	315,677
2021-2025	4,310,250	988,011
2026-2030	2,168,500	227,368
2031-2035	<u>430,000</u>	<u>35,400</u>
Total	<u>\$ 10,727,000</u>	<u>\$ 3,195,598</u>

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, 2015, the overhead rate charged to athletics and other auxiliary enterprise was 25.63 percent. This amount is included in other operating expenses, under the category “Non-Program Specific.”

## THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

Williamsburg, Virginia

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Chelsey P. Burk, Assistant Athletics Director for Business Affairs