

**THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA**

**INTERCOLLEGIATE ATHLETICS PROGRAMS  
FOR THE YEAR ENDED  
JUNE 30, 2005**

---

---

***APA***

---

---

**Auditor of  
Public Accounts**

---

---

**COMMONWEALTH OF VIRGINIA**

- TABLE OF CONTENTS -

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

SCHEDULE:

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

Notes to Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

COLLEGE OFFICIALS



# Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

January 9, 2006

The Honorable Mark R. Warner  
Governor of Virginia

The Honorable Lacey E. Putney  
Chairman, Joint Legislative Audit  
and Review Commission

Gene R. Nichol, President  
the College of William and Mary in Virginia

## INDEPENDENT AUDITOR'S REPORT ON 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 in Virginia** 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) Bylaw 6.2.3.1, for the year ended June 30, 2005. The College's 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 audits 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 audits of the College's financial statements.

2. We reviewed an organizational chart provided by Intercollegiate Athletics Department and discussed it 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. The College 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. The Intercollegiate Athletics Department 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. There were no additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations.

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

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2005, as prepared by the College and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on 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 worksheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and review of actual amounts expended in comparison to budgeted amounts.

#### Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.

10. Intercollegiate Athletics Department management provided us with a reconciliation of 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 reviewed these reconciliations for selected games and found such reconciliations to be accurate and agreed to amounts recorded as ticket revenue for those games.
11. 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 materially in agreement.
12. Intercollegiate Athletics Department management provided us with 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 verified the mathematical accuracy and coding of the settlement reports and game guarantee agreements. We found that revenue was properly computed and deposited promptly and intact.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods, or services received directly by the Intercollegiate Athletics Department 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. We vouched each individual contribution received directly by the College for its intercollegiate athletics programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Athletic Educational Foundation of the College of William and Mary in Virginia, Incorporated, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. We inspected the agreements and verified the mathematical accuracy and coding of the distribution amounts. We found that revenue was properly computed and deposited promptly and intact.
15. Intercollegiate Athletics Department management indicated that there were no agreements related to participation in revenues from broadcast, television, radio, and Internet rights.
16. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. We selected and tested receipts of such revenue and, for those items, we inspected the agreements and verified the mathematical accuracy and coding of the payment amounts in the College's accounting system.
17. We reviewed the Intercollegiate Athletics Department's procedures for recording sports camps revenues and found the procedures to be adequate. We deemed these revenues to be immaterial for detailed testing.

18. We reviewed endowment agreements to understand the relevant terms and conditions. We compared and agreed the classification and use of endowment and investment income reported in the Schedule for the reporting period to uses of income within the related endowment agreements and ensured that the amounts reported in the Schedule were accurate..
19. Based on receipts as listed in the accounting records, we reviewed the receipting and recording procedures for other revenues collected by the Intercollegiate Athletics Program and found these procedures to be adequate.

#### Expenses

20. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
21. 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.
22. Based on analytical testing, we deemed game guarantee expenses for home games during the reporting period to be reasonable. We deemed these expenses to be immaterial for detailed testing.
23. 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 for one pay period or a bonus payment 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.
24. We discussed the College's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
25. We obtained an understanding of the College's methodology for allocating facilities support and administrative support expenses and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
26. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the intercollegiate athletics program. These disbursements were for supplies, equipment, travel, and other general expenses. 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 made an audit of any financial statements of the Intercollegiate Athletics Programs of The College of William and Mary in Virginia 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 in Virginia or its Intercollegiate Athletics Programs 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

JS/kva

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA  
SCHEDULE OF REVENUES AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the Year Ended June 30, 2005

	Football	Men's Basketball	Women's Basketball	Other* Sports	Non-program Specific	Total
<b>Operating revenues:</b>						
Student fees	\$ -	\$ -	\$ -	\$ -	\$ 6,374,773	\$ 6,374,773
Contributions (Note 2)	1,152,583	383,965	121,376	601,268	273,137	2,532,329
Endowment and investment income (Note 3)	469,105	101,475	85,827	1,103,435	-	1,759,842
Ticket sales	495,061	128,088	4,777	40,965	-	668,891
Guarantees	326,218	77,237	-	-	-	403,455
NCAA/Conference distributions	-	50,000	-	532,034	-	582,034
Program sales, concessions, novelty sales, and parking	43,106	4,986	-	-	-	48,092
Royalties, advertisements, and sponsorships	139,986	70,296	-	95,236	59,148	364,666
Sports camp revenues	-	-	-	-	42,667	42,667
Other	-	-	-	104,693	26,517	131,210
<b>Total operating revenues</b>	<b>2,626,059</b>	<b>816,047</b>	<b>211,980</b>	<b>2,477,631</b>	<b>6,776,242</b>	<b>12,907,959</b>
<b>Operating expenses:</b>						
Athletics student aid	1,317,026	377,355	346,402	2,185,508	25,012	4,251,303
Guarantees	105,000	34,000	500	-	-	139,500
Coaching salaries, benefits, and bonuses paid by W&M and related entities	603,461	300,127	222,220	1,104,243	80,833	2,310,884
Support staff/administrative salaries, benefits, and bonuses paid by W&M and related entities	52,398	-	-	411,295	1,636,085	2,099,778
Recruiting	58,423	53,063	35,063	87,606	153,009	387,164
Team travel	245,279	71,429	63,009	564,744	-	944,461
Equipment, uniforms, and supplies	213,724	73,749	38,024	332,205	138,406	796,108
Game expenses	-	-	-	-	231,448	231,448
Fund raising, marketing, and promotion	-	4,272	-	322	76,626	81,220
Direct facilities, maintenance, and rental	245,296	41,933	31,169	218,883	1,299,455	1,836,736
Spirit groups	-	-	-	-	16,854	16,854
Medical expenses and medical insurance	32,223	241	814	7,187	57,124	97,589
Memberships and dues	8,583	4,862	5,620	70,330	122,393	211,788
Other operating expenses	71,792	23,702	18,184	80,871	338,888	533,437
<b>Total operating expenses</b>	<b>2,953,205</b>	<b>984,733</b>	<b>761,005</b>	<b>5,063,194</b>	<b>4,176,133</b>	<b>13,938,270</b>
Excess/(deficiency) of revenues over/(under) expenses	\$ (327,146)	\$ (168,686)	\$ (549,025)	\$ (2,585,563)	\$ 2,600,109	\$ (1,030,311)

\* 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 IN VIRGINIA  
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
AS OF JUNE 30, 2005

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 College's intercollegiate athletics programs for the year ended June 30, 2005. The Schedule includes both those revenues and expenses for intercollegiate athletics programs 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 accounting control. Because the Schedule presents only a selected portion of the College's activities, it is not intended to and does not present either the net assets, changes in net assets, or cash flows for the year then ended. Revenues and expenditures are directly identifiable with each category 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 of the College of William and Mary in Virginia, Incorporated, raises funds and collects contributions for the benefit of the Intercollegiate Athletics Department. The College received \$2,160,445 from the Foundation during the year ended June 30, 2005.

The Foundation receives direct donations in the form of goods or services for the athletics program from various individuals and businesses. The College received \$371,884 from individuals and businesses in donations through the Foundation during the year ended June 30, 2005.

3. ENDOWMENT AND INVESTMENT INCOME

The Endowment Association of the College of William and Mary in Virginia, Incorporated, is authorized to receive and administer gifts and bequests of all kinds. The Endowment Association makes such resources available to the College, which may be drawn as needed by the College within the Association's budgetary restrictions. The College received \$1,759,842 from the Association for the benefit of the Intercollegiate Athletics Department for the year ended June 30, 2005.

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 and a unit price greater than or equal to \$2,000.

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

Buildings	40-50 years
Equipment	2-30 years

A summary of the capital assets ending balance, net of accumulated depreciation, for the year ending June 30, 2005, is as follows:

Depreciable capital assets:	
Buildings	\$11,699,338
Equipment	<u>1,437,152</u>
Total depreciable capital assets	<u>13,136,490</u>
Less accumulated depreciation for:	
Buildings	6,175,472
Equipment	<u>1,063,732</u>
Total accumulated depreciation	<u>7,239,204</u>
Total capital assets, net	<u>\$ 5,897,286</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>Percent used by Athletics</u>	<u>Balance as of June 30, 2005</u>
Section 9(d) Bonds:				
William and Mary Hall, Series 1997A	3.75-5.00	2018	80%	\$1,268,000
Recreation Sports Center, Series 2003A	2.00-5.00	2024	10%	<u>869,000</u>
Total				<u>\$2,137,000</u>

Long-term debt matures as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 105,500	\$ 97,449
2007	106,000	93,176
2008	111,000	423,903
2009	115,500	83,893
2010	120,500	79,319
2011 - 2015	680,000	306,808
2016 - 2020	605,500	126,895
2021 - 2025	<u>293,000</u>	<u>35,423</u>
Total	<u>\$2,137,000</u>	<u>\$1,246,866</u>

6. INDIRECT COSTS

The College recovers a percentage of each auxiliary enterprise's expenditures, including athletics, to cover overhead costs such as utilities and custodial services. In the fiscal year ended June 30, 2005, the overhead rate charged to athletics and other auxiliary enterprise was 23.57 percent. This amount is included in direct facilities, maintenance, and rental expenses, under the category "Non-program Specific."

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

BOARD OF VISITORS

Susan Aheron Magill  
Rector

Jeffrey L. McWaters  
Vice Rector

Michael K. Powell  
Secretary

William P. Barr	Sarah I. Gore
Robert A. Blair	R. Philip Herget III
Janet M. Brashear	Suzann W. Matthews
Thomas E. Capps	Joseph J. Plumeri II
Lawrence S. Eagleburger	Anita O. Poston
John W. Gerdelman	Barbara B. Ukrop

Henry C. Wolf

COLLEGE OFFICIALS

Timothy J. Sullivan  
President

Edward C. Driscoll  
Athletic Director

J. Frank Hardymon  
Associate Athletic Director for Business Affairs