

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2006**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

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Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
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December 18, 2006

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
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**(College), solely to assist the College in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) of the College is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3, for the year ended June 30, 2006. The College's management is responsible for the Schedule and its 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 the 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. We requested any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations and inquired as to the corrective action taken in response to such comments. We noted that the affiliated organizations had been audited by independent public accountants and we were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule for the year ended June 30, 2006, 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 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 agreed significant amounts to supporting documentation.
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 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.
14. From the summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations, we selected and tested receipts of such revenue and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
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 inspected the agreements and agreed significant amounts to supporting documentation.
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 agreed significant amounts to supporting documentation.
17. We reviewed the Intercollegiate Athletics Department's procedures for recording sports camps revenues and found the procedures to be adequate. Based on an analytical review of the amounts reported in the Schedule, we consider the amount reported to be reasonable. This amount was deemed to be immaterial for detailed testing.

18. Based on receipts as listed in the accounting records, we selected and tested collections by the intercollegiate athletics program. We found all reviewed amounts to be in agreement with supporting documentation, deposited promptly and intact, and properly recorded in the accounting records.

Expenses

19. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
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 made available to us settlement reports and game guarantee agreements for home games during the reporting period. Based on analytical review of the amounts reported in the Schedule, we deemed game guarantee expenses for home games to be reasonable. 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 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.
23. We discussed the College's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
24. We obtained an understanding of the College's methodology for allocating indirect administrative and 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 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 Department of the College 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 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

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SCHEDULE

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
SCHEDULE OF REVENUES AND EXPENSES OF INTERCOLLEGIATE ATHLETICS PROGRAMS
For the Year Ended June 30, 2006

	Football	Men's Basketball
Operating revenues:		
Student fees	\$ -	\$ -
Contributions (Note 2)	1,821,165	390,714
Endowment and investment income (Note 3)	477,924	113,977
Ticket sales	519,892	143,546
Game guarantees	256,670	62,011
NCAA and conference distributions	-	47,100
Program sales, concessions, novelty sales, and parking	20,638	5,951
Royalties, advertisements, and sponsorships	202,106	60,482
Sports camps	-	-
Other	-	-
Total operating revenues	<u>3,298,395</u>	<u>823,781</u>
Operating expenses:		
Athletics student aid	1,347,560	371,567
Guarantees	75,000	33,000
Coaching salaries, benefits, and bonuses paid by the College and related entities	650,237	323,874
Support staff and administrative salaries, benefits, and bonuses paid by the College and related entities	86,564	74,639
Recruiting	53,158	56,933
Team travel	132,138	69,865
Equipment, uniforms, and supplies	781,859	58,471
Game expenses	-	-
Fund raising, marketing, and promotion	460	-
Direct facilities, maintenance, and rentals	158,186	10,667
Spirit groups	-	-
Medical expenses and medical insurance	17,584	570
Memberships and dues	544	4,596
Other	124,889	21,267
Total operating expenses	<u>\$ 3,428,179</u>	<u>\$ 1,025,449</u>

Excess of revenues over expenses

* 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 Athletic Programs are an integral part of this schedule.

Women's Basketball	Other* Sports	Administrative and General	Total
\$ -	\$ 1,470	\$ 7,057,179	\$ 7,058,649
133,681	687,256	301,766	3,334,582
89,721	910,779	56,469	1,648,870
5,604	33,397	-	702,439
-	-	-	318,681
-	-	591,506	638,606
-	-	1,742	28,331
-	119,516	60,852	442,956
-	-	29,477	29,477
-	96,143	32,711	128,854
<u>229,006</u>	<u>1,848,561</u>	<u>8,131,702</u>	<u>14,331,445</u>
371,989	2,309,353	8,222	4,408,691
500	3,500	-	112,000
230,666	1,350,921	87,054	2,642,752
24,737	234,552	1,624,998	2,045,490
37,053	107,518	133,578	388,240
67,764	725,885	-	995,652
43,550	318,429	208,875	1,411,184
-	-	283,377	283,377
-	123	13,325	13,908
30,088	328,292	193,666	720,899
-	-	25,107	25,107
650	13,629	26,691	59,124
5,708	68,677	167,925	247,450
15,894	12,687	365,776	540,513
<u>\$ 828,599</u>	<u>\$ 5,473,566</u>	<u>\$ 3,138,594</u>	<u>13,894,387</u>
			<u>\$ 437,058</u>

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, 2006

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 operating revenues and expenses of the Intercollegiate Athletic Programs of the College for the year ended June 30, 2006. The Schedule includes those Intercollegiate Athletics revenues and expenses made on behalf of the College's Intercollegiate Athletics Programs by outside organizations not under the accounting control of the College. The Schedule presents only a selected portion of the activities of the College and it is not intended to nor does it present either the financial position, changes in financial position, or cash flows for the year ended. Revenues and expenses are directly identifiable with each category presented and reported accordingly.

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 \$2,294,776 from the Foundation during the year ended June 30, 2006.

The Athletic Educational Foundation of The College of William and Mary in Virginia, Incorporated, also receives donations in the form of goods or services for the Intercollegiate Athletics Programs directly from various individuals and businesses. The College received \$1,039,806 from individuals and businesses in donations during the year ended June 30, 2006 through the Foundation.

3. ENDOWMENT AND INVESTMENT INCOME

The Endowment Association of The College of William and Mary in Virginia, Incorporated, (Endowment Association) 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 \$1,648,870 from the Endowment Association for the benefit of the Intercollegiate Athletics Department for the year ended June 30, 2006.

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 Williamsburg campus, which includes the Intercollegiate Athletics Department, capitalizes all items with 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
Infrastructure	10 - 50 years
Equipment	2 - 30 years

A summary of the capital asset ending balances net of accumulated depreciation for the year ending June 30, 2006 is as follows:

Depreciable capital assets:	
Buildings	\$12,295,351
Equipment	<u>1,531,813</u>
Total depreciable capital assets	<u>13,827,164</u>
Less accumulated depreciation for:	
Buildings	6,481,706
Equipment	<u>1,088,825</u>
Total accumulated depreciation	<u>7,570,531</u>
Total capital assets, net	<u>\$ 6,256,633</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, 2006</u>	<u>% used by Athletics</u>	<u>Athletics Balance as of June 30, 2006</u>
Section 9(d) Bonds:					
William and Mary Hall, Series 1997A	3.75-5.00	2009	\$ 465,000	80%	\$ 372,000
William and Mary Hall, Series 2004B	3.00-5.00	2016	1,020,000	80%	816,000
Recreation Sports Center, Series 2003A	2.00-5.00	2024	900,000	10%	90,000
Recreation Sports Center, Series 2004A	3.00-5.00	2025	7,535,000	10%	753,500
Recreation Sports Center, Series 2005A	3.50-5.00	2026	2,570,000	10%	257,000
Improve Athletics Facilities, Series 2005A	3.50-5.00	2026	3,510,000	100%	<u>3,510,000</u>
Total					<u>\$ 5,798,500</u>

Long-term debt matures as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 203,000	\$ 273,278
2008	234,500	264,678
2009	244,000	254,521
2010	254,500	244,222
2011	262,000	233,294
2012-2016	1,526,500	951,989
2017-2021	1,526,500	551,121
2022-2026	<u>1,547,500</u>	<u>185,002</u>
Total	<u>\$5,798,500</u>	<u>\$2,958,105</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, 2006 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

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Preston L. Clarkson – Student Representative
Robert B. Archibald – Faculty Representative
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ADMINISTRATIVE OFFICERS

Gene R. Nichol
President

Edward C. Driscoll
Athletic Director

J. Frank Hardymon
Associate Athletic Director for Business Affairs