

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

INTERCOLLEGIATE ATHLETICS PROGRAMS

FOR THE YEAR ENDED

JUNE 30, 2007

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
Richmond, Virginia 23218**

December 17, 2007

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**, 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, for the year ended June 30, 2007. 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. We obtained 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 of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2007, 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 work sheet 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 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 verified the mathematical accuracy and coding of the distribution amounts. We found that revenue was properly computed and deposited promptly and intact.
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. We found that revenue was properly computed and deposited promptly and intact.
17. We obtained an understanding of the College's methodology for recording revenues from sport camps 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 compared and agreed the selected operating receipts to adequate supporting documentation. 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 provided us with settlement reports and game guarantee agreements for home games during the reporting period. 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.
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 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

JHS/whb

SCHEDULE

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 2007

	Football	Men's Basketball	Women's Basketball
Operating revenues:			
Student fees	\$ -	\$ -	\$ -
Contributions (Note 2)	1,366,659	447,862	153,628
Endowment and investment income (Note 3)	506,108	129,724	100,856
Ticket sales	520,295	166,403	7,134
Game guarantees	270,000	75,000	5,000
NCAA and conference distributions	-	71,514	-
Program sales, concessions, novelty sales and parking	27,053	5,468	553
Royalties, advertisements and sponsorships	213,516	39,827	39,827
Sports camps	-	-	-
Other	96	-	-
Total operating revenues	2,903,726	935,798	306,998
Operating expenditures:			
Athletics student aid	1,533,901	375,707	416,958
Game guarantees	80,000	32,500	3,100
Coaching salaries, benefits and bonuses	744,643	338,341	229,930
Support staff and administrative salaries, benefits and bonuses	104,757	13,802	-
Recruiting	72,832	62,453	39,399
Team travel	180,891	125,454	81,496
Equipment, uniforms and supplies	311,410	100,619	47,880
Game expenses	-	-	-
Fund raising, marketing and promotion	2,172	3,772	72
Direct facilities, maintenance and rental	215,519	57,990	37,445
Spirit groups	-	-	-
Medical expenses and medical insurance	7,497	289	440
Memberships and dues	851	7,274	6,007
Other	52,961	30,234	17,317
Total operating expenses	3,307,435	1,148,435	880,044
Excess (deficiency) of revenues over (under) expenses	\$ (403,709)	\$ (212,637)	\$ (573,046)

* 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.

Other* Sports	Administrative and General	Total
\$ 3,120	\$ 7,533,665	\$ 7,536,785
846,711	425,389	3,240,249
979,275	62,317	1,778,280
43,463	-	737,296
4,000	-	354,000
-	577,172	648,686
635	1,463	35,171
39,109	69,886	402,164
-	53,965	53,965
130,085	72,657	202,838
2,046,398	8,796,514	14,989,434
2,513,914	27,071	4,867,551
500	-	116,100
1,490,662	88,804	2,892,380
214,051	1,834,207	2,166,817
105,107	171,605	451,397
759,709	-	1,147,550
414,742	77,321	951,972
-	163,259	163,259
525	74,987	81,529
266,249	1,110,170	1,687,373
-	23,147	23,147
5,828	25,623	39,677
77,966	194,179	286,277
114,739	403,139	618,390
5,963,992	4,193,513	15,493,419
\$ (3,917,594)	\$ 4,603,001	\$ (503,985)

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, 2007

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, 2007. The Schedule includes those intercollegiate athletics revenues and expenses made on behalf of the College's athletics programs by outside organizations not under the accounting control of the College. Because the Schedule presents only a selected portion of the activities of the College, it is not intended to and does not present either the financial position, changes in financial position, or cash flows for the year presented. 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 "Administrative and General."

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 \$2,530,177 from the Foundation during the year ended June 30, 2007.

The Athletic Educational Foundation of the College of William and Mary in Virginia, Incorporated, receives directly from various individuals and businesses, donations in the form of goods or services for the athletic program. Through the Foundation, the College received \$710,072 from individuals and businesses in donations during the year ended June 30, 2007.

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 \$1,778,280 from the Foundation for the benefit of the Intercollegiate Athletics Department for the year ended June 30, 2007.

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 \$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, 2007 is as follows:

Depreciable capital assets:	
Buildings	\$15,579,658
Equipment	<u>1,588,374</u>
Total depreciable capital assets	<u>17,168,032</u>
Less accumulated depreciation for:	
Buildings	7,774,290
Equipment	<u>1,049,993</u>
Total accumulated depreciation	<u>8,824,283</u>
Total capital assets, net	<u>\$ 8,343,749</u>

5. LONG-TERM DEBT

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

	<u>Interest Rates (%)</u>	<u>Maturity</u>	<u>Balance as of June 30, 2007</u>	<u>Percent used by Athletics</u>	<u>Athletics Balance June 30, 2007</u>
Section 9(d) Bonds:					
William and Mary Hall, Series 1997A	3.750-5.000	2009	\$ 370,000	80%	\$ 296,000
William and Mary Hall, Series 2004B	3.000-5.000	2016	1,020,000	80%	816,000
Recreation Sports Center, Series 2003A	2.000-5.000	2024	865,000	10%	86,500
Recreation Sports Center, Series 2004A	3.000-5.000	2025	7,270,000	10%	727,000
Recreation Sports Center, Series 2005A	3.500-5.000	2026	2,500,000	10%	250,000
Improve Athletics Facilities, Series 2005A	3.500-5.000	2026	3,420,000	100%	3,420,000
Improve Athletics Facilities, Series 2006A	3.000-5.000	2027	780,000	100%	780,000
J. Laycock Football Facility, Series 2006A	3.000-5.000	2027	5,610,000	100%	<u>5,610,000</u>
Total					<u>\$ 11,985,500</u>

Long-term debt matures as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 429,500	\$ 552,077
2009	449,000	532,947
2010	464,500	514,347
2011	482,000	493,719
2012	507,500	469,248
2013-2017	2,966,500	1,926,566
2018-2022	3,222,000	1,141,954
2023-2027	<u>3,464,500</u>	<u>318,682</u>
Total	<u>\$ 11,985,500</u>	<u>\$ 5,949,539</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, 2007, the overhead rate charged to athletics and other auxiliary enterprise was 22.85 percent. This amount is included in direct facilities, maintenance, and rental expenses, under the category "Administrative and General."

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

BOARD OF VISITORS

Michael K. Powell, Rector

Henry C. Wolf, Vice Rector

Suzann W. Matthews, Secretary

Alvin P. Anderson	R. Philip Herget III
Charles A. Banks III	Jeffrey L. McWaters
Robert A. Blair	Joseph J. Plumeri II
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Thomas E. Capps	John Charles Thomas
John W. Gerdelman	Jeffrey B. Trammell
Sarah I. Gore	Barbara B. Ukrop

Ryan M. Scofield – Student Representative
Preston L. Clarkson – Student Representative
Robert B. Archibald – Faculty Representative
LeAnn Binger – Faculty Representative

COLLEGE OFFICERS

Gene R. Nichol
President

Edward C. Driscoll
Athletic Director

J. Frank Hardymon
Associate Athletic Director for Business Affairs