



THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2017

Auditor of Public Accounts
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Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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January 11, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
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 3.2.4.15.1, for the year ended June 30, 2017. College management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) and the Schedule's compliance with NCAA requirements. 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 to material items. For the purpose of this report, and as defined in the agreed-upon procedures, items are considered material if they exceed four 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 process for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the College's 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 for the year ended June 30, 2017, 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 trial balance worksheets, and agreed the amounts in management's trial balance 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 accounting records and the amounts on the trial balance. We discussed the nature of

adjusting journal entries with management and are satisfied that the adjustments are appropriate.

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. No variances exceeded ten percent of budget estimates. Variances exceeding ten percent of prior period amounts are explained below:

<u>Line Item</u>	<u>Explanation</u>
Contributions	Contributions revenue increased by \$530,626 or 11.4% from the previous year due to an increase in support raised by the Athletic Educational Foundation to benefit the Intercollegiate Athletics Department.
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	This expense increased by \$489,031 or 12.4% from the previous year. During fiscal year 2017, the College hired a new Athletics Director and paid both the out-going and incoming Athletics Directors for the last four pay periods of the year while they were both employees of the College. Additionally, a change to the Fair Labor Standards Act (FLSA) was proposed in the middle of fiscal year 2017 that required the College to pay overtime to many employees. Though this provision was ultimately dropped by the Federal Court, the College continued to pay overtime to the non-exempt employees. Lastly, the College created two new positions during the fiscal year.

Revenues

9. We obtained the amount of ticket sales revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
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 with minor differences attributed to the methodology used for projecting student fee revenue.
11. We obtained the amount of direct institutional support from the Schedule. This amount was deemed to be immaterial for detailed testing.

12. We obtained the amount of indirect institutional support from the Schedule. This amount was deemed to be immaterial for detailed testing.
13. We obtained the amount of revenue related to debt service, leases, and rental fees paid by the institution for or on behalf of athletics. This amount was deemed to be immaterial for detailed testing.
14. We obtained the amount of game guarantee revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
15. 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 that constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs. We reviewed contributions from the William and Mary Athletic Educational Foundation, which exceeded ten percent of all contributions and agreed them to supporting documentation.
16. We obtained the amount of in-kind contributions from the Schedule. 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 obtained the amount of revenue from program sales, concessions, novelty sales, and parking from the Schedule. This amount was deemed to be immaterial for detailed testing.
19. We obtained the amount of revenue from royalties, licensing, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.
20. We obtained and inspected endowment agreements to gain an understanding of the relevant terms and conditions of the agreement. 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.

21. We obtained the amount of revenue related to other revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

Expenses

22. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. Since the College did not use the NCAA Compliance Assistant software to prepare athletic aid detail, we selected 60 individual student-athletes across all sports and obtained the students' account detail from the institution's student information system. We agreed each student's information to the information reported in the NCAA Membership Financial Reporting System. We also ensured that the total aid amount for each sport agreed to amounts reported as Financial Aid in the student accounting system.
23. We obtained the amount of expenses related to game guarantee agreements for home games during the reporting period from the Schedule. This amount was deemed to be immaterial for detailed testing.
24. 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, except for one employee who was underpaid by \$517.50.
25. 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.
26. We selected a sample of disbursements for team travel, direct overhead and administrative expenses, and indirect cost paid to the institution by Athletics. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, reasonable to intercollegiate athletics, and properly recorded in the accounting records.
27. We obtained a listing of debt service payments and rental fees for athletics facilities for the reporting year. We selected all debt service payments included in the Schedule, in addition to the two highest rental fee payments, and agreed them to supporting documentation.
28. We obtained the amount of indirect costs paid to the College by Athletics. This amount was deemed to be immaterial for detailed testing.

Other Reporting Items

29. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculated annual maturities reporting in the notes to the Schedule and agreed total annual maturities and total outstanding athletic related debt to supporting documentation.
30. We agreed total outstanding institutional debt to supporting debt schedules and the University's unaudited financial statements, as the audited financial statements were not yet available.
31. We agreed the fair value of athletics dedicated endowments to supporting documentation provided by the College.
32. We agreed the fair value of institutional endowments to supporting documentation provided by the College and the College of William and Mary Foundation.
33. We obtained a schedule of athletics related capital expenditures made during the period. We selected a sample of transactions to validate existence and accuracy of recording and recalculated totals.

Additional Procedures

34. We compared the sports sponsored, as reported in the NCAA Membership Financial Reporting System, to the squad lists of the institution. We noted agreement of the sports reported.
35. We obtained the institution's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports identified by the institution met the minimum requirements for number of contests and minimum number of participants as defined in NCAA Bylaw 20.9.6.3. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.
36. We obtained a listing of student-athletes receiving Pell Grant awards from the institution's student information system and agreed the total value of these Pell Grants to the amount reported in the NCAA Membership Financial Reporting System. We noted agreement of the amounts reported.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, the objective of which would be the expression of 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

JSS/alh

THE COLLEGE OF WILLIAM AND MARY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2017

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 675,868	\$ 230,943	\$ 11,654	\$ 33,358	\$ (120)	\$ 951,703
Student fees	429,166	-	-	10	13,938,004	14,367,180
Direct institutional support	2,310	9,960	28,096	187,705	83,865	311,936
Indirect institutional support	(3,806)	2,967	(419)	27,441	(628)	25,555
Indirect institutional support - athletic facilities debt service, lease and rental fees	53,181	33,215	31,088	52,366	783,832	953,682
Guarantees	338,000	260,000	-	26,700	-	624,700
Contributions	2,570,962	730,348	111,174	1,681,751	90,322	5,184,557
In-Kind	24,159	24,718	6,850	8,111	9,415	73,253
NCAA distributions	138,916	220,733	45,480	562,121	892,891	1,860,141
Conference distributions (non-media or bowl)	-	-	-	-	1,500	1,500
Program, novelty, parking, and concession sales	74,900	6,815	1,448	1,305	1,864	86,332
Royalties, licensing, advertisement and sponsorships	320,275	70,198	55,359	133,678	325,165	904,675
Athletics restricted endowment and investments income	1,248,979	275,395	131,708	947,896	110,276	2,714,254
Other operating revenue	22,318	60	-	273,222	46,412	342,012
Total operating revenues	<u>5,895,228</u>	<u>1,865,352</u>	<u>422,438</u>	<u>3,935,664</u>	<u>16,282,798</u>	<u>28,401,480</u>
Operating expenses:						
Athletic student aid	2,815,241	622,450	574,256	4,686,236	23,425	8,721,608
Guarantees	-	73,000	-	23,070	-	96,070
Coaching salaries, benefits, and bonuses paid by the College and related entities	1,288,051	696,370	470,702	2,395,499	-	4,850,622
Support staff/administrative compensation, benefits, and bonuses paid by the College and related entities	104,544	48,047	51,554	27,916	4,197,405	4,429,466
Recruiting	161,423	104,888	88,487	183,935	10,403	549,136
Team travel	358,552	207,031	127,707	1,113,636	114,229	1,921,155
Sports equipment, uniforms, and supplies	184,569	31,273	34,435	453,793	140,950	845,020
Game expenses	300,372	175,659	102,836	261,517	306	840,690
Fundraising, marketing and promotion	7,985	-	18	240	559,981	568,224
Spirit groups	-	-	-	-	42,995	42,995
Athletic facility leases and rental fees	-	33,215	31,088	52,366	70,600	187,269
Athletic facility debt service	495,740	-	-	306,709	373,799	1,176,248
Direct overhead and administrative expenses	734,831	-	425	531,543	220,501	1,487,300
Indirect cost paid to the institution by athletics	-	-	-	-	258,720	258,720
Indirect institutional support	(3,806)	2,967	(419)	27,441	(628)	25,555
Medical expenses and insurance	1,189	-	-	3,465	434,969	439,623
Memberships and dues	410	960	160	8,972	97,122	107,624
Student-Athlete Meals (non-travel)	52,798	23,973	25,528	78,572	-	180,871
Other operating expenses	85,618	51,324	30,751	145,436	498,312	811,441
Total operating expenses	<u>6,587,517</u>	<u>2,071,157</u>	<u>1,537,528</u>	<u>10,300,346</u>	<u>7,043,089</u>	<u>27,539,637</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (692,289)</u>	<u>\$ (205,805)</u>	<u>\$ (1,115,090)</u>	<u>\$ (6,364,682)</u>	<u>\$ 9,239,709</u>	<u>\$ 861,843</u>

Other Reporting Items:

Total athletics-related debt	\$ 9,023,500
Total institutional debt	\$ 220,236,090
Value of athletics-dedicated endowments	\$ 85,829,529
Value of institutional endowments	\$ 874,080,692
Total athletics-related capital expenditures	\$ 7,106,832

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
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, 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, 2017. 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 \$5,184,557 from the AEF during the year ended June 30, 2017.

The College received \$6,305,640 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 \$2,714,254 of endowment and investment income from the Foundation for the benefit of the Intercollegiate Athletics Department for the year ended June 30, 2017.

4. CAPITAL ASSETS

Capital assets are recorded at historical cost at the date of acquisition or acquisition 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. Capital assets at the time of disposal revert to the Commonwealth of Virginia for disposition.

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, 2017, is as follows:

Depreciable capital assets:	
Buildings	\$ 58,845,765
Improvements other than Buildings	1,996,786
Infrastructure	2,628,105
Equipment	<u>3,470,692</u>
Total depreciable capital assets	<u>66,941,348</u>
Less Accumulated depreciation for:	
Buildings	13,121,449
Improvements other than Buildings	884,196
Infrastructure	2,628,105
Equipment	<u>2,353,082</u>
Total accumulated depreciation	<u>18,986,832</u>
Total capital assets, net	<u>\$ 47,954,516</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>Balances as of June 30, 2017</u>	<u>% used by Athletics</u>	<u>Balance June 30, 2017</u>
Section 9(d) Bonds:					
William and Mary Hall, Series 2007B	4.000-4.250	2018	165,000	85%	\$ 140,250
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	180,000	15%	27,000
Recreation Sports Center, Series 2012A	3.000-5.000	2025	3,840,000	15%	576,000
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	190,000	15%	28,500
Improve Athletics Facilities, Series 2016A	3.00	2027	150,000	100%	150,000
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	260,000	100%	260,000
Improve Athletics Facilities, Series 2014B	5.000	2024	280,000	100%	280,000
Athletics Facilities II, Series 2013A&B	2.000-5.000	2034	1,440,000	100%	1,440,000
J. Laycock Football Facility, Series 2016A	3.000	2027	1,100,000	100%	1,100,000
J. Laycock Football Facility, Series 2014B	5.000	2024	2,100,000	100%	2,100,000
Busch Field Astro turf Replacement 2009B	2.000-5.000	2020	190,000	100%	190,000
Busch Field Astro turf Replacement 2016A	3.000	2020	860,000	100%	<u>860,000</u>
Total					<u>\$ 9,023,500</u>

Long-term debt matures as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 818,000	\$ 373,263
2019	710,750	336,220
2020	741,000	301,551
2021	782,000	265,151
2022	815,000	225,926
2023 – 2027	4,151,750	556,362
2028 – 2032	780,000	117,375
2033 – 2037	<u>225,000</u>	<u>9,100</u>
Total	<u>\$ 9,023,500</u>	<u>\$ 2,184,948</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, 2017, the overhead rate charged to athletics and other auxiliary enterprise was 27.85 percent. This amount is included in the indirect cost paid to the institution by athletics, under the category "Non-Program Specific."

THE COLLEGE OF WILLIAM AND MARY

As of June 30, 2017

BOARD OF VISITORS

Todd A. Stottlemyer, Rector

H. Thomas Watkins, III, Vice Rector

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John Charles Thomas

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COLLEGE OFFICIALS

W. Taylor Reveley, III, President

Samantha K. Huge, Director of Intercollegiate Athletics Programs

Chelsey P. Burk, Associate Athletics Director for Business Affairs