



THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2019

Auditor of Public Accounts
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Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 15, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Katherine A. Rowe
President, The College of William and Mary in Virginia

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 in Virginia (University)**, solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Constitution 3.2.4.15.1, for the year ended June 30, 2019. University 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 University. 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 University's financial statements. In addition, we identified and reviewed those controls unique to Intercollegiate Athletics, which were not reviewed in connection with our audit of the University'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 University's Intercollegiate Athletics programs. We tested these procedures as noted below.

Affiliated and Outside Organizations

4. Intercollegiate Athletics department management identified all 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 University's 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, 2019, as prepared by the University 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. Certain adjustments to the Schedule were necessary to conform to

NCAA reporting guidance. 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. Variances exceeding ten percent of prior period amounts or budget estimates are explained below:

<u>Line Item</u>	<u>Explanation</u>
Contributions	Contributions revenue decreased by \$1,053,989 or 18 percent from the previous year as the Athletics Department required less contributions from the Athletic Educational Foundation to cover departmental operating expenses.
Athletics restricted endowment and investments income	Endowment and investment income restricted for athletics increased by \$675,284 or 22 percent from the previous year due to new endowments becoming available for use.

Revenues

9. We obtained the amount of ticket sales revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
10. We obtained documentation 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. The amount was deemed to be immaterial for detailed testing.
12. We obtained the amount of revenue related to debt service, leases, and rental fees paid by the institution for or on behalf of athletics from the Schedule. The amount was deemed to be immaterial for detailed testing.
13. We obtained the amount of game guarantees revenue for away games from the Schedule. The amount was deemed to be immaterial for detailed testing.

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 & 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 William & Mary Athletic Educational Foundation which exceeded ten percent of all contributions and agreed them to supporting documentation. We identified contributions from the William & Mary Athletic Educational Foundation related to severance payments, which required adjustment in the amount of \$1,614,449 to reflect only the portion of contributions used to pay severance benefits in fiscal year 2019. Following adjustment, we believe this line item to be appropriately stated. A corresponding adjustment was made to the severance payments line item in the Schedule.
15. We obtained the amount of in-kind revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
16. 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 terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
17. We obtained the amount of revenue related to program, novelty, parking, and concession sales from the Schedule. This amount was deemed to be immaterial for detailed testing.
18. We obtained the amount of revenue from royalties, licensing, advertisement, and sponsorships. This amount was deemed to be immaterial for detailed testing.
19. We obtained and inspected endowment agreements for the relevant terms and conditions of the agreement. William & Mary Foundation manages athletics-related endowment funds on behalf of the University. The University 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.
20. We obtained the amount of other operating revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.

Expenses

21. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. Since the University used the NCAA Compliance Assistant software to prepare athletic aid detail, we selected ten percent of 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 via Compliance Assistant. We also ensured that the total aid amount for each sport agreed to amounts reported as Financial Aid in the student accounting system. We performed a check of selected students' information as reported in the NCAA's Compliance Assistant software to ensure proper calculation of revenue distribution equivalencies. We found three student athletes with incorrect information reported in Compliance Assistant. Two student athletes had an out-of-state full grant amount reported in Compliance Assistant despite being in-state students. This resulted in total underreporting of revenue distribution equivalencies by 0.54. The third student athlete was reported in Compliance Assistant with an incorrect major, which caused their full grant amount in Compliance Assistant to be overreported. The revenue distribution equivalency was not affected as this student participates in a head-count sport. As each of the errors were within Compliance Assistant, the amounts reported on the Schedule were not affected.
22. We obtained the amount of game guarantee expense from the Schedule. This amount was deemed 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 University 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. We found \$89,111 of a coach's salary was improperly included in the support staff/administrative compensation line as opposed to the coaching salaries, benefits, and bonuses line of the Schedule. We also found that a coach's severance payment of \$71,391 was improperly included in the coaching salaries, benefits and bonuses line. Following adjustments, we believe this line item to be appropriately stated.
24. We obtained the amount of severance payments from the Schedule. This amount was deemed to be immaterial for detailed testing.
25. We obtained the Intercollegiate Athletics Department's written recruiting and team travel policies from Intercollegiate Athletics Department management and documented an understanding of those policies. We compared these policies to existing University and NCAA policies and noted substantial agreement of those policies.

26. We selected a sample of disbursements for team travel; sports equipment, uniforms and supplies, game expenses; direct overhead and administration; 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 agreed all significant facility payments included in the Schedule, including the two highest facility payments, to supporting documentation.
28. We obtained the amount of indirect cost paid to the University by the athletics department from the Schedule. 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 reported 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 and general ledger, 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 University.
32. We agreed the fair value of institutional endowments to supporting documentation provided by the University and the William & 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 Calculation of Revenue Distribution Equivalencies Report (CRDE) from the NCAA's Compliance Assistant software for the institution. We noted agreement of the sports reported.

35. We compared current year Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies per the Membership Financial Report submission and reviewed for reasonableness variations exceeding four percent when compared to prior year.
36. 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.
37. We compared the current number of sports sponsored to the prior year total reported in the University's Membership Financial Report submission and noted no variations when compared to prior year.
38. 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.
39. We compared the total number of Pell Grant awards in the current year to the number reported in the prior year Membership Financial Report submission. We noted no variations greater than 20 grants when compared with the prior year.

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 Virginia in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. 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 Department taken as a whole.

This report is intended solely for the information and use of the President and the University 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/vks

COLLEGE OF WILLIAM AND MARY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2019

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 600,181	\$ 294,964	\$ 14,401	\$ 41,943	\$ -	\$ 951,489
Student fees	174,439	-	-	-	15,013,513	15,187,952
Direct institutional support	2,451	11,853	30,110	181,616	109,570	335,600
Indirect institutional support - athletic facilities debt service, lease and rental fees	301,092	39,358	33,344	141,419	715,673	1,230,886
Guarantees	393,750	205,000	-	37,050	-	635,800
Contributions	1,414,584	582,529	451,000	1,386,871	867,212	4,702,196
In-Kind	34,935	18,985	8,610	13,462	12,236	88,228
NCAA distributions	195,392	73,527	83,066	611,421	331,839	1,295,245
Conference distributions (non-media or bowl)	-	-	-	-	1,500	1,500
Program, novelty, parking, and concession sales	61,976	8,016	1,021	3,415	1,113	75,541
Royalties, licensing, advertisement and sponsorships	115,552	23,591	15,627	83,130	492,619	730,519
Athletics restricted endowment and investments income	1,819,137	306,286	118,519	1,352,642	216,396	3,812,980
Other operating revenue	169,794	35,225	-	226,923	25,695	457,637
Total operating revenues	5,283,283	1,599,334	755,698	4,079,892	17,787,366	29,505,573
Operating expenses:						
Athletic student aid	2,606,899	818,551	822,741	4,725,331	18,917	8,992,439
Guarantees	-	4,000	-	20,881	-	24,881
Coaching salaries, benefits, and bonuses paid by the University and related entities	1,805,969	732,089	495,511	2,529,982	-	5,563,551
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	123,023	50,734	57,362	47,246	4,555,679	4,834,044
Severance payments	-	71,391	-	-	32,089	103,480
Recruiting	151,490	112,709	71,924	169,410	6,965	512,498
Team travel	339,007	179,602	125,478	1,105,256	59,037	1,808,380
Sports equipment, uniforms, and supplies	224,831	69,650	62,831	570,352	163,731	1,091,395
Game expenses	255,636	190,975	99,584	387,278	19	933,492
Fundraising, marketing and promotion	-	-	-	-	453,865	453,865
Spirit groups	-	-	-	-	38,897	38,897
Athletic facility leases and rental fees	-	39,358	33,344	79,458	35,570	187,730
Athletic facility debt service	656,331	-	-	401,283	370,478	1,428,092
Direct overhead and administrative expenses	666,951	2,800	2,800	516,723	17,433	1,206,707
Indirect cost paid to the institution by athletics	69,723	-	-	31,724	379,176	480,623
Medical expenses and insurance	-	541	703	6,344	492,132	499,720
Memberships and dues	320	3,831	1,025	10,319	102,007	117,502
Student-Athlete Meals (non-travel)	82,106	32,884	23,552	86,984	-	225,526
Other operating expenses	91,303	47,387	20,107	112,982	588,356	860,135
Total operating expenses	7,073,589	2,356,502	1,816,962	10,801,553	7,314,351	29,362,957
Excess (deficiency) of revenues over (under) expenses	\$ (1,790,306)	\$ (757,168)	\$ (1,061,264)	\$ (6,721,661)	\$ 10,473,015	\$ 142,616
Other Reporting Items:						
Total athletics-related debt						\$ 12,754,750
Total institutional debt						\$ 250,919,127
Value of athletics-dedicated endowments						\$ 94,599,254
Value of institutional endowments						\$ 995,873,958
Total athletics-related capital expenditures						\$ 665,223

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, 2019

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 university for the year ended June 30, 2019 and includes both those intercollegiate athletics revenues and expenses under the direct accounting control of the university and those on behalf of the University's Intercollegiate Athletics Programs by outside organizations not under the university's control. Because the Schedule presents only a selected portion of the University'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, 2019. 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 William & Mary Athletic Educational Foundation (WMAEF), Incorporated, also referred to as the Tribe Club, raises funds and collects contributions for the benefit of the Intercollegiate Athletics Department. The University received \$4,702,196, of which \$4,700,400 came from the WMAEF during the year ended June 30, 2019.

The University received \$772,078 through the William & Mary Foundation for capital improvements to Zable Stadium which serves the Football and Men's and Women's Track programs, and for construction of the Plumeri Indoor Batting Cage and Busch Field Team Facility. Capital contributions are not reported in the Intercollegiate Athletics Schedule of Revenues and Expenses.

3. ENDOWMENT AND INVESTMENT INCOME

The William & Mary Foundation is authorized to receive and administer gifts and bequests of all kinds. The Foundation makes such resources available to the University, which may be drawn as needed by the University within the Foundation's budgetary restrictions. The University received \$3,812,980 of endowment and investment income from the Foundation for the benefit of the Intercollegiate Athletics Department for the year ended June 30, 2019.

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 University's capitalization policy on equipment includes all items with an estimated useful life of two years or more. William & Mary 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, 2019 is as follows:

Depreciable Capital Assets:	
Buildings	\$ 59,654,426
Improvements other than buildings	2,410,306
Infrastructure	2,628,105
Equipment	<u>3,813,740</u>
Total Depreciable Capital Assets	<u>68,506,577</u>
Less Accumulated Depreciation For:	
Buildings	16,945,783
Improvements other than buildings	1,186,018
Infrastructure	2,628,105
Equipment	<u>2,743,944</u>
Total Accumulated Depreciation	<u>23,503,850</u>
Total Capital Assets, net	<u>\$ 45,002,727</u>

5. LONG-TERM DEBT

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

Description

<u>Description</u>	<u>Interest Rates (%)</u>	<u>Fiscal Year Maturity</u>	<u>Balance as of June 30, 2019</u>	<u>% used by Athletics</u>	<u>Athletics Balance June 30, 2019</u>
Section 9(d) Bonds					
Recreation Sports Center, Series 2010B	5.000	2021	115,000	15%	17,250
Recreation Sports Center, Series 2012A	5.000	2024	180,000	15%	27,000
Recreation Sports Center, Series 2012A	3.000-5.000	2025	3,020,000	15%	453,000
Recreation Sports Center, Series 2012A	3.000-5.000	2025	960,000	15%	144,000
Recreation Sports Center, Series 2014B	4.000	2026	190,000	15%	28,500
Improve Athletics Facilites, Series 2012A	3.000-5.000	2025	1,295,000	100%	1,295,000
Improve Athletics Facilites, Series 2014B	4.000	2026	260,000	100%	260,000
Improve Athletics Facilites, Series 2014B	5.000	2024	210,000	100%	210,000
Improve Athletics Facilites, Series 2016A	3.000	2027	150,000	100%	150,000
Improve Athletics Facilites II, Series 2013A&B	2.000-5.000	2034	1,315,000	100%	1,315,000
Improve Athletics Facilites II, Series 2017A	2.125-5.000	2038	2,075,000	100%	2,075,000
Improve Athletics Facilites, Series 2017A	2.125-5.000	2038	3,185,000	100%	3,185,000
J. Laycock Football Facility, Series 2014B	5.000	2024	1,570,000	100%	1,570,000
J. Laycock Football Facility, Series 2016A	3.000	2027	1,100,000	100%	1,100,000
Busch Field Astro turf Replacement, Series 2009E	5.000	2020	65,000	100%	65,000
Busch Field Astro turf Replacement, Series 2016A	3.000-5.000	2030	860,000	100%	860,000
Total					<u>\$12,754,750</u>

Long-term debt matures as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2020	926,000	499,139
2021	972,000	453,364
2022	1,010,000	404,514
2023-2027	5,321,750	1,284,424
2028-2032	2,220,000	572,656
2033-2037	1,930,000	198,125
2038	<u>375,000</u>	<u>5,625</u>
Total	<u>\$12,754,750</u>	<u>\$3,417,847</u>

6. INDIRECT COSTS

The university charges the Athletic Department an administrative fee. During the fiscal year, the Department paid \$480,623 to the university. This amount is included on the Indirect Cost Paid to the Institution by Athletics line item.

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

As of June 30, 2019

BOARD OF VISITORS

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UNIVERSITY OFFICIALS

Katherine A. Rowe, President

Samantha K. Huge, Director of Intercollegiate Athletics Programs

Chelsey Burk, Senior Associate Athletics Director, Finance and Administration