



THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2018

Auditor of Public Accounts
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–TABLE OF CONTENTS–

Pages

INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES	1-7
SCHEDULE	
Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	8
Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	9-11
COLLEGE OFFICIALS	12



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Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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January 12, 2019

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

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, 2018. 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, 2018, 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. 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:

Line Item	Explanation
Contributions	Contributions revenue increased by \$571,628 or 11 percent from the previous year due to an increase in support raised by the Athletic Educational Foundation to benefit the Intercollegiate Athletic Department.
Athletics restricted endowment and investments income	Endowment and investment income restricted for athletics increased by \$423,442 or 15.6 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. This 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. 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 ensured the Schedule properly includes revenue related to debt service, leases, and rental fees paid by the institution for or on behalf of athletics. We noted a debt service payment in the amount of \$30,502 that the College should include in indirect institutional support – athletic facilities debt service, lease, and rental fees revenue and a portion of another debt service payment, in the amount of \$194,199, that the College should remove from this revenue line item as Athletics restricted endowment and investment

income revenue already includes this amount. Following adjustment, we believe this line item to be appropriately stated.

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 which 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 revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
17. We obtained the amount of media rights revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
18. 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.
19. We obtained the amount of program, novelty, parking, and concession sales revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
20. We obtained the amount of revenues from royalties, licensing, advertisement, and sponsorships revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
21. We obtained and inspected endowment agreements for 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.

22. We obtained the amount of other operating revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.

Expenses

23. 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. We performed a check of selected students information as reported in the NCAA Membership Financial Reporting System to ensure proper calculation of revenue distribution equivalencies.
24. We obtained the amount of game guarantee expense from the Schedule. This amount was deemed to be immaterial for detailed testing.
25. 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 materially agreed with approved contracts or other documentation.
26. 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 College and NCAA policies and noted substantial agreement of those policies.
27. 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.
28. 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 payments, to supporting documentation.

29. We obtained the amount of indirect cost paid to the College by Athletics from the Schedule. This amount was deemed to be immaterial for detailed testing.

Other Reporting Items

30. 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.
31. We agreed total outstanding institutional debt to supporting debt schedules and the College's unaudited financial statements and general ledger, as the audited financial statements were not yet available.
32. We agreed the fair value of athletics dedicated endowments to supporting documentation provided by the College.
33. We agreed the fair value of institutional endowments to supporting documentation provided by the College and the College of William and Mary Foundation.
34. 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

35. We compared the sports sponsored, as reported in the NCAA Membership Financial Reporting System, to equivalent supporting equivalency calculations for the institution. We noted agreement of the sports reported.
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 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/vks

THE COLLEGE OF WILLIAM AND MARY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2018

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 639,544	\$ 266,121	\$ 12,107	\$ 42,955	\$ -	\$ 960,727
Student fees	175,665	-	-	-	14,375,737	14,551,402
Direct institutional support	2,076	10,279	27,288	174,224	83,999	297,866
Indirect institutional support	1,152	(6,613)	5,260	3,512	4,455	7,766
Indirect institutional support - athletic facilities debt service, lease and rental fees	77,804	37,413	35,735	63,478	858,070	1,072,500
Guarantees	325,000	241,188	-	48,150	-	614,338
Contributions	1,848,911	742,918	502,288	2,293,863	368,205	5,756,185
In-Kind	22,305	19,414	8,048	838	8,837	59,442
Media rights	-	-	-	-	1,500	1,500
NCAA distributions	158,022	73,983	47,813	589,707	394,938	1,264,463
Conference distributions (non-media or bowl)	-	-	-	-	1,500	1,500
Program, novelty, parking, and concession sales	70,380	8,488	1,140	882	2,574	83,464
Royalties, licensing, advertisement and sponsorships	360,322	96,831	54,897	228,921	318,031	1,059,002
Athletics restricted endowment and investments income	1,588,553	264,595	135,425	1,033,011	116,112	3,137,696
Other operating revenue	144,090	300	-	220,550	26,530	391,470
Total operating revenues	5,413,824	1,754,917	830,001	4,700,091	16,560,488	29,259,321
Operating expenses:						
Athletic student aid	2,880,719	578,495	711,794	5,177,976	16,824	9,365,808
Guarantees	-	8,000	-	8,634	-	16,634
Coaching salaries, benefits, and bonuses paid by the University and related entities	1,339,292	772,671	480,107	2,691,862	9,900	5,293,832
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	111,799	57,599	44,766	18,150	4,533,315	4,765,629
Recruiting	155,780	113,204	56,778	193,131	1,772	520,665
Team travel	340,243	200,174	141,458	1,006,114	112,639	1,800,628
Sports equipment, uniforms, and supplies	277,132	51,977	48,357	590,965	156,334	1,124,765
Game expenses	307,310	190,654	93,138	569,688	-	1,160,790
Fundraising, marketing and promotion	-	-	-	-	576,518	576,518
Spirit groups	-	-	-	10	56,438	56,448
Athletic facility leases and rental fees	-	37,413	35,735	57,378	70,359	200,885
Athletic facility debt service	484,664	-	-	328,314	428,501	1,241,479
Direct overhead and administrative expenses	759,298	-	-	412,089	280,435	1,451,822
Indirect cost paid to the institution by athletics	68,064	-	-	14,898	336,252	419,214
Indirect institutional support	1,152	(6,613)	5,260	3,512	4,455	7,766
Medical expenses and insurance	-	-	572	195	242,046	242,813
Memberships and dues	-	1,365	1,443	8,795	101,097	112,700
Student-Athlete Meals (non-travel)	84,626	24,492	29,706	74,186	-	213,010
Other operating expenses	94,895	50,008	22,576	108,185	458,906	734,570
Total operating expenses	6,904,974	2,079,439	1,671,690	11,264,082	7,385,791	29,305,976
Excess (deficiency) of revenues over (under) expenses	<u>\$ (1,491,150)</u>	<u>\$ (324,522)</u>	<u>\$ (841,689)</u>	<u>\$ (6,563,991)</u>	<u>\$ 9,174,697</u>	<u>\$ (46,655)</u>
Other Reporting Items:						
Total athletics-related debt						\$ 13,640,500
Total institutional debt						\$ 226,305,187
Value of athletics-dedicated endowments						\$ 92,276,498
Value of institutional endowments						\$ 935,543,672
Total athletics-related capital expenditures						\$ 1,633,970

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, 2018

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, 2018, 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, 2018. 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 university received \$5,756,185 from the AEF during the year ended June 30, 2018.

The university received \$591,375 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, 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 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 university, which may be drawn as needed by the university within the Foundation's budgetary restrictions. The university received \$3,137,696 of endowment and investment income from the Foundation for the benefit of the Intercollegiate Athletics Department for the year ended June 30, 2018.

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. 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, 2018 is as follows:

Depreciable capital assets:	
Buildings	\$ 59,638,778
Improvements other than Buildings	2,002,046
Infrastructure	2,628,105
Equipment	<u>3,690,615</u>
Total depreciable capital assets	<u>67,959,544</u>
Less Accumulated depreciation for:	
Buildings	15,131,506
Improvements other than Buildings	890,525
Infrastructure	2,628,105
Equipment	<u>2,572,289</u>
Total accumulated depreciation	<u>21,222,425</u>
Total capital assets, net	<u>\$ 46,737,119</u>

5. LONG-TERM DEBT

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

<u>Description</u>	<u>Interest Rates</u>	<u>Fiscal Year</u>	<u>Balance as of</u>	<u>% used by</u>	<u>Athletics Balance</u>
Section 9(d) Bonds:	(%)	Maturity	June 30, 2018	Athletics	June 30, 2018
Recreation Sports Center, Series 2010B	5.000	2021	165,000	15%	\$ 24,750
Recreation Sports Center, Series 2012A	5.000	2024	180,000	15%	27,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	3,440,000	15%	516,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	1,095,000	15%	164,250
Recreation Sports Center, Series 2014B	4.000	2026	190,000	15%	28,500
Improve Athletics Facilities, Series 2012A	3.000 - 5.000	2025	1,480,000	100%	1,480,000
Improve Athletics Facilities, Series 2014B	4.000	2026	260,000	100%	260,000
Improve Athletics Facilities, Series 2014B	5.000	2024	245,000	100%	245,000
Improve Athletics Facilities, Series 2016A	3.000	2027	150,000	100%	150,000
Improve Athletics Facilities II, Series 2013A&B	2.000 - 5.000	2034	1,380,000	100%	1,380,000
Improve Athletics Facilities II, Series 2017A	2.125 - 5.000	2038	2,145,000	100%	2,145,000
Improve Auxiliary Facilities, Series 2017A	2.125 - 5.000	2038	3,290,000	100%	3,290,000
J. Laycock Football Facility, Series 2014B	5.000	2024	1,840,000	100%	1,840,000
J. Laycock Football Facility, Series 2016A	3.000	2027	1,100,000	100%	1,100,000
Busch Field Astroturf Replacement, Series 2009B	5.000	2020	130,000	100%	130,000
Busch Field Astroturf Replacement, Series 2016A	3.000 - 5.000	2030	860,000	100%	860,000
Total					<u>\$ 13,640,500</u>

Long-term debt matures as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 885,750	\$ 542,808
2020	926,000	499,139
2021	972,000	453,364
2022	1,010,000	404,514
2023-2027	5,321,750	1,284,425
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>\$ 13,640,500</u>	<u>\$ 3,960,655</u>

6. INDIRECT COSTS

The university charges the Athletic Department an administrative fee. During the fiscal year, the Department paid \$419,214 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

As of June 30, 2018

BOARD OF VISITORS

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William H. Payne, II, Vice Rector

Sue H. Gerdelman, Secretary

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COLLEGE OFFICIALS

Katherine A. Rowe, President

Samantha K. Huge, Director of Intercollegiate Athletics Programs

Chelsey Burk, Senior Associate Athletics Director, Finance and Administration