



THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2016

Auditor of Public Accounts
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Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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January 17, 2017

The Honorable Terence R. McAuliffe
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, for the year ended June 30, 2016. College management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) 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 and generally accepted government auditing standards. 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 one-half of one 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, 2016, 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 worksheets, and agreed the amounts in management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. Certain adjustments to the Schedule were necessary to conform with NCAA reporting guidance. We discussed the nature of work sheet adjustments 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 one million dollars or ten percent of prior period amounts or budget estimates.

Revenues

9. We reviewed a sample of daily ticket sales reconciliations performed for accuracy and proper review and approval. We compared revenue from the ticketing system to accounting system data used to prepare the Schedule. We determined the reconciliations reviewed to be accurate and the amounts reported in the Schedule to be in agreement with the revenue recorded.
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 were unable to accurately recalculate student fee revenue using the intercollegiate athletic fee rate and enrollment figures reported by the College; however, we were able to agree the amount reported in the Schedule to the accounting records.
11. We compared amounts reported in the Schedule for direct institutional support to institutional budget transfer documentation and/or other corroborative supporting documentation, and noted them to be substantially in agreement.
12. We compared amounts reported in the Schedule for indirect institutional support to expense payments, cost allocation detail and other corroborative supporting documentation and noted them to be substantially in agreement.
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.
14. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for away games during the reporting period. We reviewed these settlement reports and guarantee agreements for all games and agreed selected amounts to proper posting in the accounting records and supporting documentation.
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. Intercollegiate Athletics Department management provided a list of in-kind contributions during the reporting period. 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 broadcast, television, radio, internet, and e-commerce rights. 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 gained an understanding of 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 sales, concessions, novelty sales, and parking revenue from the Schedule. This amount was deemed to be immaterial for detailed testing.
20. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, licensing, advertisements, and sponsorships. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
21. We obtained an understanding of the College's methodology for recording revenues from sport camps. This amount was deemed to be immaterial for detailed testing.
22. We made inquiries of management regarding endowment agreements to gain an understanding of the relevant terms and conditions of the agreements. The College of William and Mary Foundation, an affiliated organization, 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. Transfers of endowment income are based on expenses incurred by the College and occur on a reimbursement basis, in consultation with the Foundation. 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.

23. We compared the amount of revenue related to other revenue to the amount reported in the Schedule. We reviewed classification of a sample of transactions and agreed those transactions to supporting documentation.

Expenses

24. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. Since the College used the NCAA Compliance Assistant software to prepare athletic aid detail, we selected ten percent of individual student-athletes across all sports and agreed amounts from the listing to their award letter. We agreed each student's information to ensure accurate reporting in the NCAA Membership Financial Reporting System. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system. Of the 33 students selected, the College overpaid one student-athlete by \$1,000, when compared with the student-athlete's award letter, due to a keying error in the accounting system. While the squad list does not agree to the actual amount paid, this amount was properly reflected in the Schedule at the amount paid, rather than the amount awarded.
25. Intercollegiate Athletics Department management provided us with a listing of settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing.
26. 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, except for one employee for whom adequate supporting documentation was not available, amounts paid were in agreement with approved contracts or other documentation.
27. 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.
28. We selected a sample of disbursements from recruiting, team travel, sports equipment, uniforms, and supplies, game expenses, fundraising, marketing, and promotion, direct overhead and administration, medical expenses and insurance, and other operating expenses. 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.

29. We obtained a listing of debt service payments, lease 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.
30. We obtained an understanding of the College's methodology for charging indirect cost to the athletic department. We evaluated indirect cost charges for reasonableness and noted proper reporting of these charges in the Schedule.

Additional Procedures

31. 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.
32. 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.

We were not engaged to and did not conduct an examination, 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

EMS/alh

THE COLLEGE OF WILLIAM AND MARY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2016

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 454,945	\$ 240,455	\$ 9,584	\$ 35,950	\$ -	\$ 740,934
Student fees	427,276	-	-	-	13,295,169	13,722,445
Direct institutional support	2,361	10,098	27,714	168,137	84,941	293,251
Indirect institutional support	13,635	1,935	(14,026)	19,422	23,402	44,368
Indirect institutional support - athletic facilities debt service, lease and rental fees	55,375	26,906	27,708	52,692	800,319	963,000
Guarantees	325,000	244,200	12,000	45,900	-	627,100
Contributions	2,178,676	755,572	76,511	1,476,386	166,786	4,653,931
In-Kind	28,265	9,007	1,893	12,727	13,640	65,532
Media rights	-	-	-	-	20	20
NCAA distributions	210,262	309,867	49,303	606,436	320,752	1,496,620
Conference distributions (non-media or bowl)	-	-	-	-	1,510	1,510
Program, novelty, parking, and concession sales	38,640	6,926	1,341	812	611	48,330
Royalties, licensing, advertisement and sponsorships	253,076	78,115	51,980	345,772	258,363	987,306
Sports camp revenues	-	-	-	125	23,687	23,812
Athletics restricted endowment and investments income	1,155,805	254,698	110,319	890,994	101,749	2,513,565
Other operating revenue	6,257	215	136	205,907	60,701	273,216
Total operating revenues	5,149,573	1,937,994	354,463	3,861,260	15,151,650	26,454,940
Operating expenses:						
Athletic student aid	2,757,953	624,243	618,979	4,472,362	31,515	8,505,052
Guarantees	71,410	8,000	1,128	16,811	-	97,349
Coaching salaries, benefits, and bonuses paid by the University and related entities	1,296,356	688,204	454,510	2,246,345	-	4,685,415
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	78,826	43,745	45,091	10,748	3,762,025	3,940,435
Recruiting	116,128	119,949	75,107	174,247	-	485,431
Team travel	232,282	154,408	129,503	1,176,846	89,321	1,782,360
Sports equipment, uniforms, and supplies	254,210	40,495	45,073	616,817	136,191	1,092,786
Game expenses	276,657	164,729	85,063	335,168	2,449	864,066
Fundraising, marketing and promotion	238	540	-	1,309	522,685	524,772
Spirit groups	-	-	-	-	28,726	28,726
Athletic facility leases and rental fees	-	26,906	27,708	52,693	60,894	168,201
Athletic facility debt service	495,792	-	-	331,071	395,212	1,222,075
Direct overhead and administrative expenses	765,812	-	-	419,669	130,875	1,316,356
Indirect cost paid to the institution by athletics	-	-	-	-	258,720	258,720
Indirect institutional support	13,635	1,935	(14,026)	19,422	23,402	44,368
Medical expenses and insurance	1,612	-	-	189	451,965	453,766
Memberships and dues	580	3,650	888	11,709	94,214	111,041
Student-athlete meals (non-travel)	63,289	8,914	7,590	44,048	-	123,841
Other operating expenses	90,937	54,026	22,200	118,930	508,658	794,751
Total operating expenses	6,515,717	1,939,744	1,498,814	10,048,384	6,496,852	26,499,511
Excess (deficiency) of revenues over (under) expenses	\$ (1,366,144)	\$ (1,750)	\$ (1,144,351)	\$ (6,187,124)	\$ 8,654,798	\$ (44,571)

Other Reporting Items:						
Total athletics-related debt						\$ 9,969,250
Total institutional debt						\$ 230,116,970
Value of athletics-dedicated endowments						\$ 76,495,276
Value of institutional endowments						\$ 803,697,524
Total athletics-related capital expenditures						\$ 13,695,587

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, 2016

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 College for the year ended June 30, 2016, 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, 2016. 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 \$4,653,931 from the AEF during the year ended June 30, 2016.

The College received \$12,652,306 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 \$2,513,565 of endowment and investment income from the Foundation for the benefit of the Intercollegiate Athletics Department for the year ended June 30, 2016.

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 \$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, 2016 is as follows:

Depreciable capital assets:	
Buildings	\$ 31,805,179
Improvements other than Buildings	1,155,610
Infrastructure	2,628,105
Equipment	<u>2,942,521</u>
Total depreciable capital assets	<u>38,531,415</u>
Less Accumulated depreciation for:	
Buildings	12,002,507
Improvements other than Buildings	649,262
Infrastructure	2,628,105
Equipment	<u>2,022,233</u>
Total accumulated depreciation	<u>17,302,107</u>
Total capital assets, net	<u>\$ 21,229,308</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, 2016</u>	<u>% used by Athletics</u>	<u>Athletics Balance June 30, 2016</u>
Section 9(d) Bonds:					
William and Mary Hall, Series 2007B	4.000-4.250	2018	165,000	85%	\$ 140,250
William and Mary Hall Series, 2014B	3.000-5.000	2017	145,000	85%	123,250
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	225,000	15%	33,750
Recreation Sports Center, Series 2012A	3.000-5.000	2025	4,225,000	15%	633,750
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	310,000	15%	46,500
Improve Athletics Facilities, Series 2006A	3.000-5.000	2027	205,000	100%	205,000
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	425,000	100%	425,000
Improve Athletics Facilities, Series 2014B	5.000	2024	280,000	100%	280,000
Improve Athletics Facilities II, Series 2013A&B	2.000-5.000	2034	1,500,000	100%	1,500,000
J. Laycock Football Facility, Series 2006A	3.000-5.000	2027	1,475,000	100%	1,475,000
J. Laycock Football Facility, Series 2014B	5.000	2024	2,100,000	100%	2,100,000
Busch Field Astroturf Replacement 2009B	2.000-5.000	2030	1,135,000	100%	<u>1,135,000</u>
Total					<u>\$9,969,250</u>

Long-term debt matures as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 790,750	\$ 427,081
2018	818,000	387,388
2019	710,750	350,345
2020	741,000	315,677
2021	782,000	279,277
2022-2026	4,451,750	790,645
2027-2031	1,345,000	160,656
2032-2036	<u>330,000</u>	<u>20,200</u>
	<u>\$9,969,250</u>	<u>\$2,731,269</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, 2016, the overhead rate charged to athletics and other auxiliary enterprise was 25.63 percent. This amount is included in indirect cost paid to the institution by athletics, under the category "Non-Program Specific."

THE COLLEGE OF WILLIAM AND MARY

As of June 30, 2016

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COLLEGE OFFICIALS

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Chelsey P. Burk, Assistant Athletics Director for Business Affairs