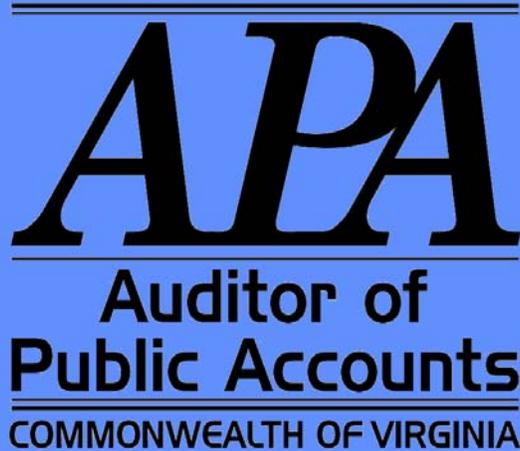


**THE COLLEGE OF WILLIAM AND MARY
IN VIRGINIA**

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2011**



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INTERNAL CONTROL FINDING AND RECOMMENDATION

Deposit Receipts Timely

The Athletics Department deposited 13 of the 21 tested cash deposits (62 percent) two to 16 business days after collection, not the next business day as required by the College's policies and procedures. Promptly depositing all collections is important to safeguard collections and to maximize interest income on College funds.

The Athletics Department should devote sufficient resources in the Athletic Ticketing Office to ensure the prompt deposit of all cash collections according to the College's policies and procedures. Further, the Athletics Department must realize that the timeliness of deposits is an important internal control to prevent mishandling of funds and safeguard against loss.



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 7, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
And Review Commission

W. Taylor Reveley III
President, The College of William and Mary

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of **The College of William and Mary in Virginia**, solely to assist the College in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the College is in compliance with National Collegiate Athletic Association (NCAA) Constitution 3.2.4.16.1, for the year ended June 30, 2011. College management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the College. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with our audits of the College's financial statements. In addition, we identified and reviewed those controls unique to

Intercollegiate Athletics Programs, which were not reviewed in connection with our audits of the College's financial statements.

2. Intercollegiate Athletics Department management provided an organizational chart which we reviewed with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.
3. Intercollegiate Athletics Department management provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Intercollegiate Athletics Programs.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. 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 inquired as to the corrective action taken in response to such comments and planned adequate corrective action for 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 (Schedule) for the year ended June 30, 2011, 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. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the revenue and expense amounts reported in the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and review of actual amounts in comparison to budget estimates. We obtained and documented an understanding of significant variations.

Revenues

9. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We reviewed these reconciliations for selected games and found such reconciliations to be accurate and agreed them to the amounts recorded as ticket revenue for those games.
10. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be materially in agreement.
11. 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 Athletic Educational Foundation of the College of William and Mary in Virginia, an affiliated organization, and the College of William and Mary Foundation, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs.
12. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we selected individual contribution amounts and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
13. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and agreed selected amounts to proper posting in the accounting records and supporting documentation.
14. 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.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from broadcast, television, radio, and Internet rights. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.

16. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. We gained an understanding of the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
17. We obtained an understanding of the College's methodology for recording revenues from sport camps and inspected any sports camp contracts between the College and persons conducting sport camps or clinics during the reporting period. 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. Based on receipts as listed in the accounting records, we selected and tested collections by the Intercollegiate Athletics Programs. We compared and agreed the selected operating receipts to adequate supporting documentation. We found all reviewed amounts to be in agreement with supporting documentation and properly recorded in the accounting records. However, we found ticket sales receipts are not deposited timely as detailed in the Internal Control Finding and Recommendation titled "Deposit Receipts Timely."

Expenses

19. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. We selected individual student-athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.
20. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the College during the reporting period. We selected and tested individuals and compared amounts paid for one pay period or a bonus payment from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.
21. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing
22. Intercollegiate Athletics Department management provided us with a listing of severance payments made during the reporting period. This amount was deemed to be immaterial for detailed testing

23. We discussed the Intercollegiate Athletics Department's recruiting expense and teamtravel 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.
24. We obtained an understanding of the College's methodology for allocating indirect facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
25. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the Intercollegiate Athletics Programs. These disbursements were for supplies, equipment, travel, and other general operating expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of The College 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 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 in Virginia or its Intercollegiate Athletics Department taken as a whole.

In connection with applying these procedures, we noted a matter involving internal control over the Intercollegiate Athletics Program activities administered by the College and its operations that requires management's attention and corrective action. This matter, entitled "Deposit Receipts Timely", is described in the section of this report titled, "Internal Control Finding and Recommendation."

The College's response to the finding identified in our audit is included in the section titled "College Response." We did not audit the College's response and, accordingly, we express no opinion on it.

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

LJH/alh

SCHEDULE

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the Year Ended June 30, 2011

| | Football | Men's Basketball | Women's Basketball | Other* Sports | Administrative and General | Total |
|--|---------------------|---------------------|-----------------------|---------------------|-------------------------------|---------------------|
| Operating revenues: | | | | | | |
| Student fees | \$ - | \$ - | \$ - | \$ - | \$10,062,222 | \$ 10,062,222 |
| Contributions (Note 2) | 1,867,544 | 550,334 | 102,288 | 3,367,505 | 180,685 | 6,068,356 |
| Endowment and investment income (Note 3) | 696,278 | 186,558 | 130,713 | 802,145 | 86,764 | 1,902,458 |
| Ticket sales | 851,657 | 163,153 | 8,199 | 38,689 | - | 1,061,698 |
| Guarantees | 351,929 | 150,000 | 31,012 | 30,880 | - | 563,821 |
| Direct institutional support | 2,153 | - | - | 200,000 | 2,472 | 204,625 |
| Indirect facilities and administrative support | 64,974 | 34,940 | 34,193 | 344,308 | 50,942 | 529,357 |
| NCAA and conference distributions | 184,865 | 221,539 | 62,755 | 585,011 | 185,770 | 1,239,940 |
| Broadcast, television, radio & internet rights | - | - | - | - | 1,603 | 1,603 |
| Program sales, concessions, novelty sales & parking | 62,184 | 3,975 | 600 | 700 | - | 67,459 |
| Royalties, advertisements and sponsorships | 259,550 | 46,214 | 49,830 | 42,766 | 142,917 | 541,277 |
| Sports camp revenues | - | - | 1,500 | 1,035 | 32,803 | 35,338 |
| Other | 98,387 | 2,082 | 2,422 | 181,913 | 204,916 | 489,720 |
| Subtotal operating revenues | <u>4,439,521</u> | <u>1,358,795</u> | <u>423,512</u> | <u>5,594,952</u> | <u>10,951,094</u> | <u>22,767,874</u> |
| Operating Expenses | | | | | | |
| Athletics student aid | 2,060,073 | 441,122 | 578,525 | 3,479,098 | 24,500 | 6,583,318 |
| Guarantees | 152,058 | 4,234 | 1,204 | 17,426 | - | 174,922 |
| Coaching salaries, benefits, & bonuses paid by the College and related entities | 1,066,048 | 603,981 | 279,639 | 1,734,473 | - | 3,684,141 |
| Support staff and administrative salaries, benefits, and bonuses paid by the College and related entities | 50,661 | 48,870 | 47,133 | 3,982 | 2,559,063 | 2,709,709 |
| Severance payments | - | - | - | - | 4,044 | 4,044 |
| Recruiting | 123,007 | 69,507 | 47,028 | 131,845 | - | 371,387 |
| Team travel | 434,557 | 133,007 | 128,192 | 937,581 | - | 1,633,337 |
| Equipment, uniforms and supplies | 183,683 | 26,622 | 24,449 | 234,120 | 81,870 | 550,744 |
| Game expenses | 204,040 | 130,264 | 58,356 | 231,791 | 3,018 | 627,469 |
| Fund raising, marketing and promotion | 363 | 1,766 | 1,976 | 5,003 | 382,131 | 391,239 |
| Direct facilities, maintenance and rental | 1,021,489 | - | - | 3,158,518 | 30,230 | 4,210,237 |
| Spirit groups | - | - | - | - | 27,478 | 27,478 |
| Indirect facilities and administrative support | 64,974 | 34,940 | 34,193 | 344,308 | 50,942 | 529,357 |
| Medical expenses and medical insurance | 16,951 | 160 | 3,383 | 21,318 | 252,267 | 294,079 |
| Memberships and dues | 804 | 960 | 532 | 7,937 | 94,463 | 104,696 |
| Other operating expenses | 51,402 | 23,300 | 19,960 | 63,276 | 672,887 | 830,825 |
| Subtotal operating expenses | <u>\$ 5,430,110</u> | <u>\$1,518,733</u> | <u>\$1,224,570</u> | <u>\$10,370,676</u> | <u>\$ 4,182,893</u> | <u>22,726,982</u> |
| Excess (deficiency) of revenues over (under) expenses | | | | | | <u>\$ 40,892.00</u> |

* Other sports include baseball, field hockey, golf, gymnastics, lacrosse, soccer, swimming, tennis, track and field, and volleyball.

The accompanying notes are an integral part of this schedule.

THE COLLEGE OF WILLIAM AND MARY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
AS OF JUNE 30, 2011

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 current fund revenues and expenses of the intercollegiate athletic programs of the College for the year ended June 30, 2011. The schedule presents only a selected portion of the activities of the College and it is not intended to nor does it present either the financial position, changes in fund balances, or current funds revenues and other additions, expenses, transfers and other deductions for the year ended. Revenues and expenses are directly identifiable with each category presented and reported accordingly.

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 \$2,925,321 from the AEF during the year ended June 30, 2011, including \$423,650 for debt payments on the Laycock football training facilities.

The Athletic Educational Foundation of the College of William and Mary in Virginia, Incorporated, receives directly from various individuals and businesses donations in the form of goods or services for the athletic program. The College received \$3,143,035 from individuals and businesses in donations during the year ended June 30, 2011, including \$2,800,000 through the College of William and Mary Foundation for construction of the Martin Family Stadium used for the Lacrosse and Men's and Women's Soccer Programs.

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 Association's budgetary restrictions. The College received \$1,902,458 from the Foundation for the benefit of the Intercollegiate Athletics Department for the year ended June 30, 2011.

4. CAPITAL ASSETS

Capital assets are recorded at historical cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Construction expenses for capital assets and improvements are capitalized when expended. The College's capitalization policy on

equipment includes all items with an estimated useful life of two years or more. The William and Mary campus capitalizes all items with a unit price greater than or equal to \$2,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

| | |
|-----------------------------------|-------------|
| Buildings | 40-50 years |
| Improvements other than Buildings | 10-50 years |
| Infrastructure | 10-50 years |
| Equipment | 2-30 years |

A summary of the capital asset ending balances net of accumulated depreciation for the year ending June 30, 2011 is as follows:

| | |
|------------------------------------|---------------------|
| Depreciable capital assets: | |
| Buildings | \$27,499,363 |
| Improvements other than Buildings | 797,963 |
| Infrastructure | 2,627,355 |
| Equipment | <u>2,895,611</u> |
| Total depreciable capital assets | <u>33,820,292</u> |
| Less Accumulated depreciation for: | |
| Buildings | 8,972,814 |
| Improvements other than Buildings | 163,140 |
| Infrastructure | 1,537,808 |
| Equipment | <u>1,361,897</u> |
| Total accumulated depreciation | <u>12,035,659</u> |
| Total capital assets, net | <u>\$21,784,633</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>Balance as of June 30, 2011</u> | <u>% used by Athletics</u> | <u>Athletics Balance June 30, 2011</u> |
|--|---------------------------|-----------------|------------------------------------|----------------------------|--|
| Section 9(d) Bonds: | | | | | |
| William and Mary Hall, Series 2004B | 3.000-5.000 | 2016 | \$ 800,000 | 85% | \$ 680,000 |
| William and Mary Hall, Series 2007B | 4.000-4.250 | 2018 | 165,000 | 85% | 140,250 |
| Recreation Sports Center, Series 2003A | 2.000-5.000 | 2024 | 485,000 | 15% | 72,750 |
| Recreation Sports Center, Series 2004A | 3.500-5.000 | 2025 | 6,120,000 | 15% | 918,000 |
| Recreation Sports Center, Series 2005A | 3.500-5.000 | 2026 | 2,145,000 | 15% | 321,750 |
| Recreation Sports Center, Series 2010B | 2.000-5.000 | 2021 | 220,000 | 15% | 33,000 |
| Improve Athletics Facilities, Series 2005A | 3.500-5.000 | 2026 | 2,930,000 | 100% | 2,930,000 |
| Improve Athletics Facilities, Series 2006A | 3.000-5.000 | 2027 | 680,000 | 100% | 680,000 |
| J. Laycock Football Facility, Series 2006A | 3.000-5.000 | 2027 | 4,880,000 | 100% | 4,880,000 |
| Busch Field Astro turf Replacement | 3.000-5.000 | 2030 | 1,380,000 | 100% | <u>1,380,000</u> |
| Total | | | | | <u>\$ 12,035,750</u> |

Long-term debt matures as follows:

| <u>Year Ended</u> | <u>Principal</u> | <u>Interest</u> |
|-------------------|---------------------|--------------------|
| 2012 | \$ 581,000 | \$ 558,319 |
| 2013 | 613,250 | 528,913 |
| 2014 | 640,500 | 497,569 |
| 2015 | 679,250 | 464,575 |
| 2016 | 710,750 | 429,825 |
| 2017-2021 | 3,689,750 | 1,600,994 |
| 2022-2026 | 4,236,250 | 644,638 |
| 2027-2031 | <u>885,000</u> | <u>48,250</u> |
| Total | <u>\$12,035,750</u> | <u>\$4,773,083</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, 2011 the overhead rate charged to athletics and other auxiliary enterprise was 28.06 percent. This amount is included in direct facilities, maintenance, and rental expenses, under the category "Administrative and General."



Intercollegiate Athletics

P.O. Box 399
Williamsburg, VA 23187
(757) 221-3340

TO: Andrew Powell
Laurie Hicks
Debrah Stafford
FROM: Dan Wakely
RE: Possible Management Letter Comment – Timely Deposits of Ticket Office Revenue
DATE: December 15, 2011

The William and Mary Athletics Department agrees that ticket office revenue deposits were not made in compliance with College policies and procedures, and that improvement needs to be made in this area. W&M's Assistant Athletics Director-Business Affairs and Director of Marketing, Promotions and Ticket Services met with the Assistant Ticket Manager responsible for making these deposits to discuss the issue. It has been determined that late deposits are the result of failing to comply with existing College policy and a need to improve internal procedures, not a lack of staff or resources.

The ticket office has reviewed the deposits that were tested and determined that the 16 which were late comprised \$174,934.09 in total revenue. Four percent of this was cash, 11% checks, and the remaining 85% was the recording of online sales, or other credit card payments. Of the \$47,394.00 in deposits which were tested and made on time, 4% percent was cash, 69% checks and 27% online sales.

The following measures will be implemented to improve compliance with College policies and procedures:

- A meeting has taken place with the assistant ticket manager responsible for making deposits to review the College's policies and procedures, and the importance of following those policies and procedures.
- We have created a new ticket office deposit form, which will better identify the date of cash collections and the date submitted for deposit. This form will be signed and dated by the W&M police officer who transports the deposit to the W&M cashier's office. If extenuating circumstances prevent a deposit from being made on time, an explanation will be included with the deposit form. This form is attached.
- All deposits will be recorded on an Excel spreadsheet for better review by the Director of Marketing, Promotions and Ticket Services, to ensure deposits are made on time. This spreadsheet is attached.
- Any late deposits will be tracked and recorded for review monthly by the Director of Marketing, Promotions and Ticket Services. Compliance with College deposit policies will be a priority in the assistant ticket manager's semi-annual performance evaluation.

Daniel D Wakely, William and Mary Assistant Director of Athletics – Business Affairs

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
Williamsburg, VA

June 30, 2011

THE BOARD OF VISITORS

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