

**Army West Point Athletic Association, Inc.**

Financial Statements and  
Uniform Guidance Schedules  
Together With Independent Auditors' Report

June 30, 2018 and 2017

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## **Independent Auditors' Report**

**Board of Directors**  
**Army West Point Athletic Association, Inc.**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Army West Point Athletic Association, Inc., (the "Association") which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Army West Point Athletic Association, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Reporting on Supplementary Information*

The accompanying schedule of expenditures of federal awards on page 16, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of Army West Point Athletic Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Army West Point Athletic Association, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Army West Point Athletic Association, Inc.'s internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Newburgh, New York  
January 18, 2019

**Army West Point Athletic Association, Inc.**

Statements of Financial Position

	June 30,	
	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,958,457	\$ 10,572,122
Federal grant receivable	968,798	-
Contributions receivable	564,165	82,657
Sponsorships receivable	1,030,000	1,108,270
Other receivables	255,952	15,472
Prepaid Expenses	264,162	167,221
Property and equipment, net	331,312	-
Due from related party, Anderson Athletic Center funding	<u>3,147,318</u>	<u>-</u>
	<u>\$ 19,520,164</u>	<u>\$ 11,945,742</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,345,402	\$ 831,107
Deferred revenue	<u>7,932,608</u>	<u>6,252,589</u>
Total Liabilities	<u>9,278,010</u>	<u>7,083,696</u>
 <b>NET ASSETS</b>		
Unrestricted	8,387,919	3,868,177
Temporarily restricted	<u>1,854,235</u>	<u>993,869</u>
Total Net Assets	<u>10,242,154</u>	<u>4,862,046</u>
	<u>\$ 19,520,164</u>	<u>\$ 11,945,742</u>

See notes to financial statements

**Army West Point Athletic Association, Inc.**

Statement of Activities  
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Sponsorships	\$ 6,359,928	\$ -	\$ 6,359,928
Ticket sales	5,132,733	-	5,132,733
Contributions	7,079,945	1,112,072	8,192,017
Federal grant revenue	11,599,279	-	11,599,279
Sports camps/clinics	2,325,136	-	2,325,136
NCAA distributions	1,235,858	-	1,235,858
Guarantee income	5,827,989	-	5,827,989
Media rights	3,014,900	-	3,014,900
Concession income	395,500	-	395,500
In-kind contributions	1,039,536	-	1,039,536
Miscellaneous income	1,729,412	-	1,729,412
Net assets released from restrictions	<u>251,706</u>	<u>(251,706)</u>	<u>-</u>
Total Revenue and Support	<u>45,991,922</u>	<u>860,366</u>	<u>46,852,288</u>
<b>EXPENSES</b>			
Program services	37,497,142	-	37,497,142
Management and general	3,063,230	-	3,063,230
Fundraising	<u>911,808</u>	<u>-</u>	<u>911,808</u>
Total Expenses	<u>41,472,180</u>	<u>-</u>	<u>41,472,180</u>
Change in Net Assets	4,519,742	860,366	5,380,108
<b>NET ASSETS</b>			
Beginning of year	<u>3,868,177</u>	<u>993,869</u>	<u>4,862,046</u>
End of year	<u>\$ 8,387,919</u>	<u>\$ 1,854,235</u>	<u>\$ 10,242,154</u>

See notes to financial statements

**Army West Point Athletic Association, Inc.**

Statement of Activities  
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Sponsorships	\$ 1,108,270	\$ -	\$ 1,108,270
Ticket sales	266,909	-	266,909
Contributions	3,672,215	993,869	4,666,084
Federal grant revenue	2,939,674	-	2,939,674
Sports camps/clinics	423,474	-	423,474
In-kind contributions	345,640	-	345,640
Miscellaneous income	<u>315,095</u>	<u>-</u>	<u>315,095</u>
Total Revenue and Support	<u>9,071,277</u>	<u>993,869</u>	<u>10,065,146</u>
<b>EXPENSES</b>			
Program services	4,724,182	-	4,724,182
Management and general	571,110	-	571,110
Fundraising	<u>162,142</u>	<u>-</u>	<u>162,142</u>
Total Expenses	<u>5,457,434</u>	<u>-</u>	<u>5,457,434</u>
Change in Net Assets	3,613,843	993,869	4,607,712
<b>NET ASSETS</b>			
Beginning of year	<u>254,334</u>	<u>-</u>	<u>254,334</u>
End of year	<u>\$ 3,868,177</u>	<u>\$ 993,869</u>	<u>\$ 4,862,046</u>

See notes to financial statements

**Army West Point Athletic Association, Inc.**

Statement of Functional Expenses  
Year Ended June 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>PERSONNEL</b>				
Salaries and wages	\$ 13,684,400	\$ 204,023	\$ 435,870	\$ 14,324,293
Fringe benefits	<u>2,254,083</u>	<u>54,426</u>	<u>36,709</u>	<u>2,345,218</u>
Total Personnel Costs	15,938,483	258,449	472,579	16,669,511
Cadet-Athletes meal expense	844,431	-	-	844,431
Travel	5,256,807	7,089	15,506	5,279,402
Utilities	107,105	84	210	107,399
Insurance	152,111	327,941	3,787	483,839
Repairs and maintenance	349,275	-	-	349,275
Coaching services	1,455,068	-	-	1,455,068
Telephone	281,225	528	20,165	301,918
Office supplies and postage	57,118	4,068	1,885	63,071
Athletic supplies	1,174,783	-	583	1,175,366
Professional fees	3,750	492,410	1,250	497,410
AAA support services	-	1,099,998	-	1,099,998
Rental	98,355	830,368	789	929,512
Furniture and equipment	410,745	7,829	1,550	420,124
Athletic hosting expense	219,088	216	315,676	534,980
Membership fees	181,188	18,914	4,373	204,475
Awards, trophies and banquets	522,209	-	9,601	531,810
Game guarantee expense	1,038,256	-	-	1,038,256
Special event entertainment	229,229	914	4,869	235,012
Uniforms	2,947,585	-	-	2,947,585
Advertising	310,503	2,606	-	313,109
Training	168,610	363	196	169,169
Sports officials	667,996	-	-	667,996
Recruiting	1,466,476	-	24	1,466,500
Printing	169,880	50	47,153	217,083
Depreciation	27,427	-	-	27,427
Miscellaneous	62,292	6,354	11,612	80,258
Credit card and bank charges	314,845	4,429	-	319,274
Commissions	710,657	-	-	710,657
Outside services	1,897,141	620	-	1,897,761
Ticket system	222,973	-	-	222,973
Tuition fees	<u>211,531</u>	<u>-</u>	<u>-</u>	<u>211,531</u>
Total Expenses	<u>\$ 37,497,142</u>	<u>\$ 3,063,230</u>	<u>\$ 911,808</u>	<u>\$ 41,472,180</u>

See notes to financial statements



**Army West Point Athletic Association, Inc.**

Statement of Functional Expenses  
Year Ended June 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>PERSONNEL</b>				
Salaries and wages	\$ 1,898,306	\$ 146,576	\$ 107,592	\$ 2,152,474
Fringe benefits	<u>316,451</u>	<u>19,247</u>	<u>7,396</u>	<u>343,094</u>
Total Personnel Costs	2,214,757	165,823	114,988	2,495,568
Cadet-Athletes meal expense	43,389	-	-	43,389
Travel	599,612	3,551	4,188	607,351
Utilities	23,086	-	-	23,086
Insurance	34,429	66,808	257	101,494
Repairs and maintenance	27,810	-	29,664	57,474
Payroll	-	8,863	-	8,863
Telephone	14,179	602	138	14,919
Office supplies and postage	6,199	2,465	27	8,691
Athletic supplies	70,804	1,476	339	72,619
Professional fees	21,775	206,265	-	228,040
Coaching	14,247	-	-	14,247
Rental	312,465	37,393	10,369	360,227
Furniture and equipment	47,876	17,959	963	66,798
Athletic hosting expense	24,001	-	440	24,441
Awards, trophies and banquets	194,991	15,624	181	210,796
Special event entertainment	12,579	3,000	138	15,717
Uniforms	98,847	630	-	99,477
Advertising	2,051	9,923	450	12,424
Training	51,741	-	-	51,741
Sports officials	140,040	-	-	140,040
Recruiting	207,862	-	-	207,862
Accounting system	-	7,899	-	7,899
Miscellaneous	213,847	4,161	-	218,008
Credit card	126,341	-	-	126,341
Commissions	134,681	-	-	134,681
Outside services	74,260	18,668	-	92,928
Ticket system	<u>12,313</u>	<u>-</u>	<u>-</u>	<u>12,313</u>
Total Expenses	<u>\$ 4,724,182</u>	<u>\$ 571,110</u>	<u>\$ 162,142</u>	<u>\$ 5,457,434</u>

See notes to financial statements

**Army West Point Athletic Association, Inc.**

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,380,108	\$ 4,607,712
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	27,427	-
Net changes in operating assets and liabilities		
Federal grant receivable	(968,798)	-
Contributions receivable	(481,508)	(82,657)
Sponsorships receivable	78,270	(1,108,270)
Other receivables	(240,480)	(15,472)
Prepaid expenses	(96,941)	(167,221)
Accounts payable and accrued expenses	514,295	481,040
Deferred revenue	1,680,019	6,252,589
Net Cash from Operating Activities	5,892,392	9,967,721
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(358,739)	-
Advances to related party	(3,147,318)	-
Net Cash from Investing Activities	(3,506,057)	-
Net Change in Cash and Cash Equivalents	2,386,335	9,967,721
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	10,572,122	604,401
End of year	\$ 12,958,457	\$ 10,572,122

See notes to financial statements

## **Army West Point Athletic Association, Inc.**

Notes to Financial Statements  
June 30, 2018 and 2017

### **1. Organization and Taxation**

The Army West Point Athletic Association, Inc. (the "Association") is a New York not-for-profit corporation organized on October 14, 2015 to provide an extraordinary Division I athletic experience at the United States Military Academy ("USMA"). This intercollegiate athletic program supports the USMA mission to build leaders of character committed to the values of Duty, Honor, Country. The experiences obtained by participation in USMA's intercollegiate athletic program prepare and motivate Cadets for a lifetime of public service through physical education, fitness training and testing and Division I athletic competition.

Under a cooperative agreement (see Note 9), the Association provides services and resources to achieve Division I athletic excellence. The Association and USMA will be substantially involved in facilitating the intercollegiate athletic program's goals and objectives.

The Internal Revenue Service has determined that the Association is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been recognized in the accompanying financial statements.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### ***Net Assets***

Net assets, revenue, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as unrestricted, temporarily restricted and permanently restricted net assets.

#### ***Revenue Recognition***

Direct public support and donations are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions are recorded as temporarily restricted net assets and revenue and support if they are received with donor imposed stipulations that limit their use. Donor restrictions expire by either the passage of stipulated time or the accomplishment of the stated purpose. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted contributions that are received and expended in the same period are considered unrestricted.

## **Army West Point Athletic Association, Inc.**

Notes to Financial Statements  
June 30, 2018 and 2017

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Revenue Recognition (continued)***

Permanently restricted contributions are those funds whose use is limited by donor imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Board of Directors. At June 30, 2018 and 2017, the Association has no permanently restricted net assets.

Sponsorship revenue is recognized in the period to which the sponsorship relates. Sponsorships are given for certain sports as a form of advertisement for the sponsor.

Ticket sales revenue relates to the various athletic sports events held throughout the year. Ticket sales revenue is recognized at the time the athletic sporting event takes place.

Sports camp/clinic revenue is derived from various sports camps and clinics offered to the community. Sports camps take place throughout the summer months. Clinics are offered throughout the year. Sports camp/clinic revenue is recognized in the period in which the camp and/or clinic takes place.

Guarantee income represents payments received from other universities in exchange for athletic competition. Revenue is recognized and payment is received only after the athletic competition is completed.

Media rights revenue is recognized in the period to which the rights relate. Rights are sold to CBS for the sole right to broadcast the season's home football games and the annual Army/Navy football game.

NCAA distributions are recognized as revenue in the period received.

Federal grant revenue represents funding received from the Department of Defense, in connection with a cooperative agreement between the Association and the United States Army. (See Note 9). Federal grant revenue is recognized as it is expensed.

#### ***Deferred Revenue***

Deferred revenue is comprised mainly of advance ticket sales for football, advance payments for summer camps, and other prepayments for events that have not yet taken place.

#### ***In-Kind Contributions***

Donated goods and services that require specialized skills that would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

In-kind contributions consists of donated sponsorships, legal services and office space from USMA to the Association for the administrative building where the Association operates.

## **Army West Point Athletic Association, Inc.**

Notes to Financial Statements  
June 30, 2018 and 2017

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Cash and Cash Equivalents***

The Association considers all highly liquid investments with a maturity of three months or less, at the time of purchase to be cash equivalents.

#### ***Federal Grant, Contributions, Sponsorships and Other Receivables***

Federal grant, contributions, sponsorships and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable. As of June 30, 2018 and 2017, no allowance for doubtful accounts has been deemed necessary.

#### ***Property and Equipment***

Property and equipment is stated at cost when purchased and at fair value when donated. Depreciation is provided on the straight-line method over estimated useful lives of the assets which range from four to seven years. The Association capitalizes property and equipment with a cost in excess of \$4,000 and a useful life longer than one year.

#### ***Functional Allocation of Expenses***

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programmatic and supporting services benefited. Such allocations are determined by management.

#### ***Advertising***

Advertising costs are expensed as incurred and approximated \$313,000 and \$12,000 for the years ended June 30, 2018 and 2017.

#### ***Accounting for Uncertainty in Income Taxes***

The Association recognizes the effects of income tax positions only when they are more likely than not to be sustained. Management has determined that the Association had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Association is subject to examination by applicable taxing jurisdictions for all periods.

#### ***Reclassifications***

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications have had no effect on net assets.

## Army West Point Athletic Association, Inc.

Notes to Financial Statements  
June 30, 2018 and 2017

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 18, 2019.

### 3. Concentrations of Credit Risk

Financial instruments that potentially subject the Association to significant concentrations of credit risk consist principally of cash and cash equivalents and receivables. At times cash balances held at financial institutions may be in excess of federally insured limits. At June 30, 2018 and 2017, the Association had deposits exceeding federally insured limits approximating \$12,685,000 and \$10,249,000. The Association has not experienced any losses on its cash deposits. The Association believes that no significant concentration of credit risk exists with respect to its cash and cash equivalents or receivables. All receivables are expected to be collected in the normal course of business.

### 4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Furniture, fixtures and equipment	\$ 233,798	\$ -
Facility improvements	<u>124,941</u>	<u>-</u>
	358,739	-
Accumulated depreciation	<u>(27,427)</u>	<u>-</u>
	<u>\$ 331,312</u>	<u>\$ -</u>

### 5. Due from Related Party, Anderson Athletic Center Funding

On September 19, 2017, the Association entered into a funding commitment (the "Commitment") with the West Point Association of Graduates ("WPAOG"), an entity related through the USMA. The Commitment will provide capital for renovation and construction of an athletic building, the Anderson Athletic Center. As of June 30, 2018, total advances made under this Commitment amounted to \$3,147,318. The funding is considered an interest free commitment, and is expected to be repaid in full by the WPAOG as contributions for this athletic building are secured.

**Army West Point Athletic Association, Inc.**

Notes to Financial Statements  
June 30, 2018 and 2017

**6. Deferred Revenue**

Deferred revenue is comprised of the following at June 30:

	<u>2018</u>	<u>2017</u>
Football ticket sales	\$5,657,984	\$3,904,924
Summer camp	1,728,217	1,658,307
Media rights	546,363	530,450
Other	<u>44</u>	<u>158,908</u>
	<u>\$7,932,608</u>	<u>\$6,252,589</u>

**7. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of funds restricted for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Baseball	\$ 24,557	\$ 46,778
Men's Basketball	82,304	63,507
Women's Basketball	34,657	15,943
Rifle	8,278	2,943
Football	18,436	71,941
Golf	40,680	3,237
Gymnastics	106,090	18,037
Hockey	196,423	32,063
Men's Lacrosse	109,689	63,510
Women's Lacrosse	46,587	13,772
Men's Soccer	123,962	60,446
Women's Soccer	49,379	43,499
Sprint Football	118,767	52,167
Swim/Dive	191,048	74,074
Men's Tennis	35,707	9,256
Women's Tennis	29,564	3,120
Track/Cross Country	254,964	165,834
Volleyball	92,152	86,962
Wrestling	98,404	27,087
Men's Rugby	162,913	130,701
Women's Rugby	-	7,381
Rabble Rousers	-	1,611
Blaik Memorial	27,759	-
Team Captain Plaques	<u>1,915</u>	<u>-</u>
	<u>\$1,854,235</u>	<u>\$ 993,869</u>

## Army West Point Athletic Association, Inc.

Notes to Financial Statements  
June 30, 2018 and 2017

### 8. Net Assets Released from Restrictions

Temporarily restricted net assets were released from restriction for the following purposes during the years ended June 30:

	2018	2017
Baseball	\$ 46,778	\$ -
Rifle	2,937	-
Football	71,941	-
Hockey	32,063	-
Women's Lacrosse	2,106	-
Men's Soccer	67	-
Sprint Football	7,242	-
Swim/Dive	20,162	-
Men's Tennis	5,548	-
Track/Cross Country	3,260	-
Volleyball	41,547	-
Men's Rugby	9,063	-
Women's Rugby	7,381	-
Rabble Rousers	<u>1,611</u>	<u>-</u>
	<u>\$ 251,706</u>	<u>\$ -</u>

### 9. Cooperative Agreement

On November 25, 2015, the President of the United States of America signed into law The National Defense Authorization Act for Fiscal Year 2016 ("NDAA 2016"). Under Section 557, Support for Athletic Programs of the USMA, NDAA 2016 authorized the Secretary of the Army to enter into contracts and cooperative agreements with the Association for the purpose of supporting intercollegiate athletics at the USMA.

On February 3, 2017, The Department of the Army and the Association entered into a cooperative agreement ("CA") that allows the Association to provide supplies and services to support the intercollegiate athletics program at USMA. The result of the agreement will be a more agile athletics program that fully supports the mission of the U.S. Military Academy and ensure the Association remains compliant with auditing and accountability requirements, National Collegiate Athletic Association ("NCAA") rules and regulations and, most importantly academy standards and mission. The revenue derived from the CA is recorded as federal grant revenue in the statements of activities.

### 10. Employee Benefit Plan

The Association maintains a voluntary tax deferred annuity plan to provide full-time employees the option to defer a portion of their salary. The Association matches up to 5% of the employee's deferral. Employer contributions amounted to \$430,188 and \$74,773 during the years ended June 30, 2018 and 2017.



## **Army West Point Athletic Association, Inc.**

Notes to Financial Statements  
June 30, 2018 and 2017

### **11. Related Parties not Disclosed Elsewhere**

Army Athletic Association (“AAA”), a non-appropriated fund instrumentally operated by the United States Army Installation Command, supports the United States Military Academy’s intercollegiate athletic program. USMA’s Superintendent and AAA’s Military Deputy Athletic Director will maintain institutional control over objectives of the CA through the Athletic department’s management team and USMA’s administrative grants office.

On February 27, 2017, a memorandum of agreement (“MOA”) was entered into by the Association and WPAOG to create an environment of cooperation and support to enhance fundraising in support of USMA intercollegiate athletics. WPAOG will be responsible to receive, process and provide acknowledgement letters for all donations. Donations will be wholly-owned, invested and managed by WPAOG. Fees are assessed to the Association by the WPAOG for these fundraising and investment services. On a monthly basis, WPAOG shall donate to the Association unrestricted and/or use-restricted donations or maintain ownership of athletic donated funds (e.g. donations subject to use restriction for capital projects or a purpose restriction). Total donations given to the Association for the years ended June 30, 2018 and 2017 were \$8,192,017 and \$4,666,084.

A member of the Association’s Board of Directors provided in-kind legal services totaling \$210,000 during the year ended June 30, 2018.

\* \* \* \* \*

**Army West Point Athletic Association, Inc.**

Uniform Guidance Reports and Schedules

June 30, 2018

**Army West Point Athletic Association, Inc.**

Schedule of Expenditures of Federal Awards and  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Defense Army Athletic Association Direct Program: U.S. Military Academy Athletic Programs at West Point	12.432	W911NF-17-2-0010	\$ -	\$ 11,599,279
Total Expenditures of Federal Awards				<u>\$ 11,599,279</u>

**1. Basis of Presentation**

The schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Army West Point Athletic Association, Inc. (the "Association") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Army West Point Athletic Association, Inc. it is not intended to and does not present the financial position, changes in net assets or cash flows of Army West Point Athletic Association, Inc.

**2. Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Indirect Cost Rate**

The Association has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Board of Directors**  
**Army West Point Athletic Association, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Army West Point Athletic Association, Inc. (the "Association"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 18, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

Newburgh, New York  
January 18, 2019

## **Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

**Board of Directors**  
**Army West Point Athletic Association, Inc.**

### **Report on Compliance for Each Major Federal Program**

We have audited Army West Point Athletic Association, Inc.'s (the "Association") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Association's major federal programs for the year ended June 30, 2018. The Association's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## **Report on Internal Control Over Compliance**

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

Newburgh, New York  
January 18, 2019

**Army West Point Athletic Association, Inc.**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

12.432

U.S. Military Academy Athletic Programs at West Point

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee?  Yes  No

Section II - Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2018.

Section III - Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV - Prior Year's Audit Findings

There were no prior year audit findings.