

Army West Point Athletic Association, Inc.

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

June 30, 2017 and 2016

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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 statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2016 financial statements were reviewed by us, and our report thereon, dated February 2, 2017, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Report on Supplementary Information

The accompanying schedule of expenditures of federal awards, 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 March 20, 2018 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
March 20, 2018

Army West Point Athletic Association, Inc.

Statements of Financial Position

	June 30,	
	2017	2016
ASSETS		(Reviewed)
Cash and cash equivalents	\$ 10,572,122	\$ 604,401
Sponsorships receivable	1,206,399	-
Prepaid Expenses	<u>167,221</u>	<u>-</u>
	<u><u>\$ 11,945,742</u></u>	<u><u>\$ 604,401</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 831,107	\$ 350,067
Deferred revenue	<u>6,252,589</u>	<u>-</u>
Total Liabilities	<u>7,083,696</u>	<u>350,067</u>
Net Assets		
Unrestricted	3,868,177	254,334
Temporarily restricted	<u>993,869</u>	<u>-</u>
Total Net Assets	<u>4,862,046</u>	<u>254,334</u>
	<u><u>\$ 11,945,742</u></u>	<u><u>\$ 604,401</u></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>
REVENUE AND SUPPORT			
Sponsorship	\$ 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 support	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>
 EXPENSES			
Programs	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
 Net Assets			
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 Activities

	Period from October 14, 2015 (Inception) to June 30, 2016 (Reviewed)		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	\$ 500,000	\$ -	<u>\$ 500,000</u>
EXPENSES			
Management and general	237,086	-	237,086
Fundraising	<u>8,580</u>	<u>-</u>	<u>8,580</u>
Total Expenses	<u>245,666</u>	<u>-</u>	<u>245,666</u>
Change in Net Assets	254,334	-	254,334
Net Assets			
Beginning of period (inception)	-	-	-
End of year	<u>\$ 254,334</u>	<u>\$ -</u>	<u>\$ 254,334</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>
Salaries and wages	\$ 1,898,306	\$ 146,576	\$ 107,592	\$ 2,152,474
Payroll taxes	126,169	10,984	3,724	140,877
Health benefits	119,490	6,450	1,504	127,444
Retirement benefits	70,792	1,813	2,168	74,773
Meals	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	11,758	2,829	-	14,587
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	12,313	-	-	12,313
In-Kind support	<u>300,707</u>	<u>34,564</u>	<u>10,369</u>	<u>345,640</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.

Statement of Functional Expenses

Period from October 14, 2015 (Inception) to
June 30, 2016 (Reviewed)

	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Professional fees	\$ 227,399	\$ -	\$ 227,399
Accounting system expense	9,580	-	9,580
Fundraising	-	8,580	8,580
Office supplies	<u>107</u>	<u>-</u>	<u>107</u>
 Total Expenses	 <u>\$ 237,086</u>	 <u>\$ 8,580</u>	 <u>\$ 245,666</u>

Army West Point Athletic Association, Inc.

Statements of Cash Flows

	Year Ended June 30, 2017	Period from October 14, 2015 to June 30, 2016 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,607,712	\$ 254,334
Adjustments to reconcile change in net assets to net cash from operating activities		
Net changes in operating assets and liabilities		
Sponsorships receivable	(1,206,399)	-
Prepaid Expenses	(167,221)	-
Accounts payable and accrued expenses	481,040	350,067
Deferred revenue	<u>6,252,589</u>	<u>-</u>
Net Cash from Operating Activities and Change in Cash and Cash Equivalents	9,967,721	604,401
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>604,401</u>	<u>-</u>
End of year	<u>\$ 10,572,122</u>	<u>\$ 604,401</u>

See notes to financial statements

Army West Point Athletic Association, Inc.

Notes to Financial Statements June 30, 2017 and 2016

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 and 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 (Note 5), 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.

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.

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, 2017 and 2016, the Association has no permanently restricted net assets.

Army West Point Athletic Association, Inc.

Notes to Financial Statements June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

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 5). 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 Support

In-kind support relates to donated office space from USMA to the Association for the administrative building where the Association operates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances held in bank accounts.

Sponsorships Receivable and Allowance for Doubtful Accounts

Sponsorships receivable represents amounts due at June 30, 2017 from an athletic department related sponsor. 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, 2017, no allowance for doubtful accounts has been deemed necessary.

Army West Point Athletic Association, Inc.

Notes to Financial Statements June 30, 2017 and 2016

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

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. All management and general expenses were related to legal and consulting fees and other organizational period costs.

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 2016 financial statements have been reclassified to conform to the 2017 presentation. These reclassifications have had no effect on net assets.

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 March 20, 2018.

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 sponsorships receivable. At times cash balances held at financial institutions may be in excess of federally insured limits. At June 30, 2017, the Association had deposits exceeding federally insured limits in the amount approximating \$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 sponsorships receivables. Sponsorship receivables are expected to be collected in the normal course of business.

4. Deferred Revenue

Deferred revenue is comprised of the following at June 30, 2017:

Football ticket sales	\$ 3,904,924
Summer camp	1,658,307
Media rights	530,450
Other	<u>158,908</u>
	<u><u>\$ 6,252,589</u></u>

There was no deferred revenue at June 30, 2016.

Army West Point Athletic Association, Inc.

Notes to Financial Statements June 30, 2017 and 2016

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of funds restricted for the following purposes at June 30, 2017:

Baseball	\$ 46,778
Men's Basketball	63,507
Women's Basketball	15,943
Rifle	2,943
Football	71,941
Golf	3,237
Gymnastics	18,037
Hockey	32,063
Men's Lacrosse	63,510
Women's Lacrosse	13,772
Men's Soccer	60,446
Women's Soccer	43,499
Sprint Football	52,167
Swim/Dive	74,074
Men's Tennis	9,256
Women's Tennis	3,120
Track/Cross Country	165,834
Volleyball	86,962
Wrestling	27,087
Men's Rugby	130,701
Women's Rugby	7,381
Rabble Rousers	<u>1,611</u>
	<u>\$ 993,869</u>

There were no temporarily restricted net assets at June 30, 2016.

6. 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

Army West Point Athletic Association, Inc.

Notes to Financial Statements June 30, 2017 and 2016

6. Cooperative Agreement (*continued*)

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 statement of activities.

7. 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 10% of the employee’s deferral. Employer contributions amounted to \$74,773 in 2017. There were no employer contributions in 2016.

8. Related Parties not Disclosed Elsewhere

Army Athletic Association (“AAA”), a nonappropriated 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 West Point Association of Graduates (“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 transfer 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 transferred to the Association for the year ended 2017 and the period from October 14, 2015 to June 30, 2016 were \$4,666,084 and \$500,000.

9. Subsequent Event

On September 19, 2017, the Association entered into a funding commitment (the “Commitment”) with the WPAOG. The Commitment will provide capital for renovation and construction of an athletic building. In November of 2017, an initial amount of \$3,090,000 was advanced by the Association to WPAOG. The Association will provide additional funding to the WPAOG over a 24 month period (commencing in January 2018) that will total \$3,340,000. 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.

Uniform Guidance Schedules and Reports

June 30, 2017

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, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Award 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	\$ -	\$ 2,939,674
Total Expenditures of Federal Awards				<u>\$ 2,939,674</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, 2017. 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.

**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**

Independent Auditors' Report

**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, 2017, 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 March 20, 2018.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Newburgh, New York
March 20, 2018

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

**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, 2017. 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, 2017.

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, 2017.

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
March 20, 2018

Army West Point Athletic Association, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
• Significant deficiency(ies) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> 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)?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Identification of major federal programs:	

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
12.432	U.S. Military Academy Athletic Programs at West Point

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
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Section II - Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2017.

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 Audit Findings

There were no prior year audit findings