

**Army West Point Athletic  
Association Inc.**

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

June 30, 2024 and 2023

**Army West Point Athletic Association Inc.**

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Together With Independent Auditors' Reports

June 30, 2024 and 2023

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**Appendix A**

Corrective Action Plan

## **Independent Auditors' Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Army West Point Athletic Association Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Army West Point Athletic Association Inc. as of June 30, 2024 and 2023, 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.

#### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Army West Point Athletic Association Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Army West Point Athletic Association Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Army West Point Athletic Association Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Army West Point Athletic Association Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2025 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 24, 2025

**Army West Point Athletic Association Inc.**

## Statements of Financial Position

	June 30,	
	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,281,304	\$ 8,835,268
Sponsorships receivable	1,470,000	1,420,750
Due from related parties	217,562	366,218
Grant receivable	2,997,317	2,927,838
Other receivables	838,311	289,357
Prepaid expenses	888,248	329,417
Interest in net assets of West Point Association of Graduates	4,016,107	4,182,522
Property and equipment, net	5,985,933	4,907,924
Deposits	43,015	23,850
	<u>\$ 22,737,797</u>	<u>\$ 23,283,144</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,957,680	\$ 2,091,559
Deferred revenue	11,454,563	9,938,506
Notes payable	2,043,690	2,640,644
Total Liabilities	<u>15,455,933</u>	<u>14,670,709</u>
Net Assets		
Without donor restrictions	1,481,929	2,138,863
With donor restrictions	5,799,935	6,473,572
Total Net Assets	<u>7,281,864</u>	<u>8,612,435</u>
	<u>\$ 22,737,797</u>	<u>\$ 23,283,144</u>

See notes to financial statements

**Army West Point Athletic Association Inc.**

Statement of Activities  
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT AND RECLASSIFICATIONS</b>			
Sponsorships	\$ 5,625,000	\$ -	\$ 5,625,000
Ticket sales	6,395,077	-	6,395,077
Contributions	6,970,999	955,000	7,925,999
Contributed non-financial assets	3,423,162	-	3,423,162
Federal grant revenue	12,236,142	-	12,236,142
Unfunded requirements	847,105	-	847,105
Sports camps/clinics	2,062,525	-	2,062,525
NCAA and conference distributions	327,103	-	327,103
Guarantee income	6,939,400	-	6,939,400
Media rights	4,200,000	-	4,200,000
Program and novelty sales	64,674	-	64,674
Athletic hosting reimbursements	928,128	-	928,128
Membership fee income	1,176,575	-	1,176,575
Change in interest in net assets of West Point Association of Graduates	(367,873)	1,221,862	853,989
Miscellaneous income	1,273,509	-	1,273,509
Net assets released from restrictions	<u>2,850,499</u>	<u>(2,850,499)</u>	<u>-</u>
Total Revenue and Support and Reclassifications	<u>54,952,025</u>	<u>(673,637)</u>	<u>54,278,388</u>
<b>EXPENSES</b>			
Program services	53,845,440	-	53,845,440
Management and general	1,289,354	-	1,289,354
Fundraising	<u>1,474,165</u>	<u>-</u>	<u>1,474,165</u>
Total Expenses	<u>56,608,959</u>	<u>-</u>	<u>56,608,959</u>
Change in Net Assets Before Other Changes in Net Assets	(1,656,934)	(673,637)	(2,330,571)
<b>OTHER CHANGES IN NET ASSETS</b>			
Insurance recoveries	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Change in Net Assets	(656,934)	(673,637)	(1,330,571)
<b>NET ASSETS</b>			
Beginning of year	<u>2,138,863</u>	<u>6,473,572</u>	<u>8,612,435</u>
End of year	<u>\$ 1,481,929</u>	<u>\$ 5,799,935</u>	<u>\$ 7,281,864</u>

See notes to financial statements

**Army West Point Athletic Association Inc.**

Statement of Activities  
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT AND RECLASSIFICATIONS</b>			
Sponsorships	\$ 5,590,000	\$ -	\$ 5,590,000
Ticket sales	5,497,884	-	5,497,884
Contributions	6,680,259	782,000	7,462,259
Contributed non-financial assets	3,673,362	-	3,673,362
Federal grant revenue	12,200,751	-	12,200,751
Sports camps/clinics	1,443,641	-	1,443,641
NCAA and conference distributions	392,317	-	392,317
Guarantee income	6,303,678	-	6,303,678
Media rights	4,050,000	-	4,050,000
Program and novelty sales	235,439	-	235,439
Athletic hosting reimbursements	394,115	-	394,115
Membership fee income	1,020,638	-	1,020,638
Change in interest in net assets of West Point Association of Graduates	168,623	1,097,700	1,266,323
Miscellaneous income	1,153,941	-	1,153,941
Net assets released from restrictions	1,651,960	(1,651,960)	-
Total Revenue and Support and Reclassifications	50,456,608	227,740	50,684,348
<b>EXPENSES</b>			
Program services	48,448,222	-	48,448,222
Management and general	1,223,231	-	1,223,231
Fundraising	944,247	-	944,247
Total Expenses	50,615,700	-	50,615,700
Change in Net Assets	(159,092)	227,740	68,648
<b>NET ASSETS</b>			
Beginning of year	2,297,955	6,245,832	8,543,787
End of year	\$ 2,138,863	\$ 6,473,572	\$ 8,612,435

See notes to financial statements



**Army West Point Athletic Association Inc.**

Statement of Functional Expenses  
Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
<b>PERSONNEL COSTS</b>				
Salaries and wages	\$ 17,216,943	\$ 524,371	\$ 233,013	\$ 17,974,327
Fringe benefits and taxes	<u>2,971,116</u>	<u>68,071</u>	<u>14,808</u>	<u>3,053,995</u>
Total Personnel Costs	20,188,059	592,442	247,821	21,028,322
<b>OTHER THAN PERSONNEL COSTS</b>				
Cadet-athletes meal expense	1,375,449	-	423	1,375,872
Travel	7,046,072	6,474	81,953	7,134,499
Utilities	29,551	-	237	29,788
Insurance	464,643	29,928	652	495,223
Repairs and maintenance	409,805	-	158	409,963
Coaching services	1,993,375	-	-	1,993,375
Telephone	229,294	1,219	19,664	250,177
Office supplies and postage	78,044	6,698	15,813	100,555
Athletic supplies	1,229,502	257	7,398	1,237,157
Professional fees	728,316	229,990	80,178	1,038,484
AAA support services	894,371	-	-	894,371
Rental	1,718	-	-	1,718
Furniture and equipment	594,544	4,183	2,111	600,838
Athletic hosting expense	396,839	4,888	844,761	1,246,488
Membership fees	155,036	1,641	1,800	158,477
Awards, trophies and banquets	500,841	1,173	2,072	504,086
Game guarantee expense	1,444,910	-	-	1,444,910
Summer camp expenses	1,177,641	1,499	-	1,179,140
Uniforms	525,218	238	327	525,783
Advertising	122,060	19,462	-	141,522
Training	291,793	44,176	17,065	353,034
Sports officials	962,415	-	-	962,415
Recruiting	2,099,912	-	-	2,099,912
Printing	606,813	1,449	58,004	666,266
Depreciation	1,187,552	-	-	1,187,552
Donor relations	5,931	-	72,067	77,998
Miscellaneous	68,381	89,813	-	158,194
Credit card and bank charges	451,085	83,218	-	534,303
Interest expense	-	164,096	-	164,096
Outside services	3,718,033	6,510	21,661	3,746,204
Ticket system	312,907	-	-	312,907
Tuition fees	682,168	-	-	682,168
Conference realignment	450,000	-	-	450,000
Contributed apparel	3,000,000	-	-	3,000,000
Contributed rent	<u>423,162</u>	<u>-</u>	<u>-</u>	<u>423,162</u>
Total Expenses	<u>\$ 53,845,440</u>	<u>\$ 1,289,354</u>	<u>\$ 1,474,165</u>	<u>\$ 56,608,959</u>

See notes to financial statements

**Army West Point Athletic Association Inc.**

Statement of Functional Expenses  
Year Ended June 30, 2023

	Program Services	Management and General	Fundraising	Total
<b>PERSONNEL COSTS</b>				
Salaries and wages	\$ 15,163,755	\$ 519,203	\$ 283,813	\$ 15,966,771
Fringe benefits and taxes	<u>2,392,611</u>	<u>130,248</u>	<u>33,137</u>	<u>2,555,996</u>
Total Personnel Costs	17,556,366	649,451	316,950	18,522,767
<b>OTHER THAN PERSONNEL COSTS</b>				
Cadet-athletes meal expense	1,251,989	-	-	1,251,989
Travel	6,258,869	14,183	21,963	6,295,015
Utilities	21,291	-	236	21,527
Insurance	474,307	21,840	960	497,107
Repairs and maintenance	296,909	-	-	296,909
Coaching services	1,920,875	-	-	1,920,875
Telephone	118,420	1,476	16,678	136,574
Office supplies and postage	75,251	3,152	1,448	79,851
Athletic supplies	1,008,438	135	4,639	1,013,212
Professional fees	740,208	265,086	62,500	1,067,794
AAA support services	376,968	-	-	376,968
Rental	8,296	-	-	8,296
Furniture and equipment	503,450	834	-	504,284
Athletic hosting expense	741,566	86	450,810	1,192,462
Membership fees	158,698	444	1,525	160,667
Awards, trophies and banquets	392,589	3,608	23	396,220
Game guarantee expense	1,116,200	-	-	1,116,200
Summer camp expenses	1,048,277	-	-	1,048,277
Uniforms	397,545	387	90	398,022
Advertising	243,928	15,796	-	259,724
Training	228,586	150	2,557	231,293
Sports officials	837,525	-	-	837,525
Recruiting	1,994,840	188	-	1,995,028
Printing	488,750	475	30,728	519,953
Depreciation	994,858	-	-	994,858
Donor relations	25,126	-	13,180	38,306
Miscellaneous	161,672	78,647	2,521	242,840
Credit card and bank charges	328,649	118,078	-	446,727
Interest expense	67,590	47,599	-	115,189
Outside services	4,165,721	1,616	17,439	4,184,776
Ticket system	267,266	-	-	267,266
Tuition fees	514,037	-	-	514,037
Contributed apparel	3,000,000	-	-	3,000,000
Contributed rent	423,162	-	-	423,162
Contributed legal services	<u>240,000</u>	<u>-</u>	<u>-</u>	<u>240,000</u>
Total Expenses	<u>\$ 48,448,222</u>	<u>\$ 1,223,231</u>	<u>\$ 944,247</u>	<u>\$ 50,615,700</u>

See notes to financial statements

# Army West Point Athletic Association Inc.

## Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,330,571)	\$ 68,648
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,187,552	994,858
Donated property and equipment	-	(10,200)
Insurance recoveries	(1,000,000)	-
Undistributed portion of change in interest in net assets of West Point Association of Graduates	166,415	(789,202)
Net changes in operating assets and liabilities		
Sponsorships receivable	(49,250)	(70,750)
Due from related parties	148,656	849,830
Grant receivable	(69,479)	4,553,814
Other receivables	(548,954)	(6,351)
Prepaid expenses	(558,831)	27,757
Deposits	(19,165)	60,859
Accounts payable and accrued expenses	(453,958)	(2,748,521)
Deferred revenue	1,516,057	2,263,661
Net Cash from Operating Activities	(1,011,528)	5,194,403
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Insurance proceeds received for damage to property and equipment	1,000,000	-
Purchase of property and equipment	(1,926,311)	(1,003,679)
Net Cash from Investing Activities	(926,311)	(1,003,679)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital expenditures financed with accounts payable	(19,171)	(15,190)
Proceeds from line of credit	2,500,000	-
Principal payments on line of credit	(2,500,000)	-
Proceeds from notes payable	-	3,118,972
Principal payments on notes payable	(596,954)	(3,644,057)
Net Cash from Financing Activities	(616,125)	(540,275)
Net Change in Cash and Cash Equivalents	(2,553,964)	3,650,449
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	8,835,268	5,184,819
End of year	\$ 6,281,304	\$ 8,835,268
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 164,096	\$ 115,189
Non-cash Investing and Financing Activities		
Capital expenditures included in accounts payable and accrued expenses	339,250	19,171
See notes to financial statements		

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

### **Notes to Financial Statements**

June 30, 2024 and 2023

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

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 15), 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.

##### ***Adoption of New Accounting Pronouncement***

In June 2016, the Financial Accounting Standards Board issued an accounting pronouncement related to the measurement of credit losses on financial instruments. This pronouncement and subsequently issued Accounting Standards Updates, clarified certain provisions of the new guidance, changed the incurred loss model for most financial assets and required the use of an expected loss model for instruments measured at amortized cost and certain other instruments that are not measured at fair value through the change in net assets. Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of this guidance on July 1, 2023, expanded the Association's required disclosures for its expected credit losses for accounts receivable but did not have a material effect on its financial statements.

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

### **Notes to Financial Statements**

June 30, 2024 and 2023

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

### ***Net Asset Presentation***

Net assets are classified based on the presence or absence of donor-imposed restrictions. Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

*Without donor restrictions* – consist of resources available for the general support of the Association's operations. Net assets without donor restrictions may be used at the discretion of the Association's management and Board of Directors (the "Board").

*With donor restrictions* – represent amounts restricted by donors for specific activities of the Association or to be used at some future date. The Association records contributions as with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Amounts restricted by donors for the Association's operating programs whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. The Association does not have any net assets to be maintained in perpetuity.

### ***Revenue Recognition***

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional.

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 for the sole right to broadcast the annual Army/Navy football game, home football games and additional intercollegiate athletic competitions hosted at USMA.

National Collegiate Athletic Association ("NCAA") and conference distributions are recognized as revenue in the period received.

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

### **Notes to Financial Statements**

June 30, 2024 and 2023

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

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

Federal grant revenue represents funding received from the U.S. Department of Defense, in connection with a cooperative agreement between the Association and the United States Army (see Note 15). Federal grant revenue is recognized as expenses are incurred.

Unfunded requirements represents funding received from the U.S. Department of Defense, for programs not included and funded in the U.S. Department of Defense's annual program execution plan. Revenue is recognized as expenses are incurred. Payments received in advance of expenses being incurred are recorded as deferred revenue.

Membership fees represent the per seat membership fee associated with renewing Army West Point football season tickets and is amortized over the football season. When season ticket holders renew their season tickets in advance of the following season, these payments are recorded as deferred revenue and then released as income after each game is played.

Athletic hosting reimbursement represents reimbursement of expenses paid for athletic competition related hosting activities (e.g., welcome breakfasts, tailgates, premium stadium experiences) paid by the Association. Revenue is recognized at the time the activity occurs.

Program and novelty sales represent sales of sports programs and sports memorabilia. Revenue is recognized at the time of sale.

Miscellaneous revenue primarily includes football game day parking, rebates, vendor reimbursements, and other miscellaneous revenue received. Revenue is recognized at the time of sale.

### ***Deferred Revenue***

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

### ***Contributed Non-Financial Assets***

Contributed non-financial 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. Contributed non-financial goods and services consists of apparel, 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, 2024 and 2023

## **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.

### ***Sponsorships, Grants and Other Receivables***

Prior to July 1, 2023, sponsorships and other receivables were recorded at the amount invoiced less an allowance for doubtful accounts. The net amount of receivables and corresponding allowance for doubtful accounts were presented on the statement of financial position.

Receivable balances were assessed at every reporting date for collectability and an allowance was recorded if the receivable was considered uncollectible. Subsequent to July 1, 2023, sponsorships and other receivable are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. The amount of accounts receivable and corresponding allowance for credit losses are presented on the statements of financial position. The Association maintains allowances for credit losses resulting from the expected failure or inability of its customers/sponsors to make required payments. The Association recognizes the allowance for credit losses at inception and reassesses at every reporting date based on the asset's expected collectability. The allowance is based on multiple factors including historical experience with bad debts, the credit quality of the customer base, the aging of such receivables and current macroeconomic conditions, as well as expectations of conditions in the future, if applicable. The Association's allowance for credit losses is based on the assessment of the collectability of assets pooled together with similar risk characteristics.

The Association records a provision for expected credit losses using a historical loss-rate method based on the ratio of its historical write-offs to its average trade accounts receivable. At each reporting period, the Association assesses whether financial assets in a pool continue to display similar risk characteristics. If particular receivables no longer display risk characteristics that are similar to those of the receivables in the pool, the Association may determine that it needs to move those receivables to a different pool or perform an individual assessment of expected credit losses for those specific receivables.

The Association writes off receivables when there is information that indicates the customer/sponsor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery in accordance with Association's accounting policy election. There were no amounts written-off for the year ended June 30, 2024.

At June 30, 2024 and 2023, no allowance for credit losses or bad debts has been deemed necessary.

Other receivables include amounts related to miscellaneous reimbursements from the NCAA.

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

Notes to Financial Statements

June 30, 2024 and 2023

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

#### ***Interest in the Net Assets of the West Point Association of Graduates***

U.S. GAAP includes guidance for transactions in which one entity raises, holds and invests assets for a specified beneficiary or for a group of affiliates of which the specified beneficiary is a member and is financially interrelated to the not-for-profit organization it supports. The West Point Association of Graduates ("WPAOG") is a related party under the USMA tasked with raising money and distributing the amounts to the Association and other related USMA organizations. In February 2017, a memorandum of agreement was entered into by the Association and WPAOG to create an environment of cooperation and support to enhance fundraising in support of USMA athletics. The determination of when the distributions are used by the Association is made by its Board and management. On an annual basis, WPAOG makes an unconditional promise to grant funds to the Association based upon the endowment's spending policies and other governing documents.

However, if the Association does not have a current need for these funds, they can choose to leave the funds invested with WPAOG's endowments. The Association has an ongoing economic interest in the net assets of WPAOG through the annual distributions granted to the Association from WPAOG's endowment funds. The Association recognizes periodic changes in such interest in the statements of activities as appropriate. The value of the interest in the net assets of WPAOG is included in net assets with donor restrictions. Annual distributions are recorded as contributions in the statements of activities.

#### ***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 the estimated useful lives of the furniture, fixtures and equipment. 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 directly to program services benefited and certain costs have been allocated among the programmatic and supporting services benefited. The expenses allocated among programmatic and supporting services based on time and effort include salaries and wages, fringe benefits and taxes. The expenses allocated among programmatic and supporting services based on purpose and function include travel, utilities, insurance, repairs and maintenance, telephone, office supplies and postage, athletic supplies, professional fees, furniture and equipment, athletic hosting expense, membership fees, awards, trophies and banquets, uniforms, advertising, training, recruiting, printing, donor relationship, miscellaneous, credit card and bank charges, interest expense and outside services. Such allocations are determined by management.



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

### **Notes to Financial Statements**

June 30, 2024 and 2023

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

### ***Advertising***

Advertising costs are expensed as incurred and approximated \$142,000 and \$260,000 for the years ended June 30, 2024 and 2023.

### ***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 for 2023 have been reclassified to conform with the 2024 financial statement presentation. These reclassifications have no effect on previously reported changes in net assets or 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 January 24, 2025.

## **3. Concentrations of Credit Risk**

Financial instruments that potentially subject the Association to significant concentrations of credit and market risk consist principally of cash and cash equivalents, receivables and interest in the net assets of WPAOG. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. At times cash balances held at financial institutions may exceed the FDIC limit. At June 30, 2024 and 2023, the Association had uninsured cash of approximately \$6,178,000 and \$8,350,000.

The Association receives federal funding through a cooperative agreement with the USMA. For the years ended June 30, 2024 and 2023, the Association earned approximately 22% and 24% of its revenue from the cooperative agreement. At June 30, 2024 and 2023, the Association had approximately 28% of its receivables due from one sponsor.

## Army West Point Athletic Association Inc.

### Notes to Financial Statements June 30, 2024 and 2023

#### 4. Availability of Financial Assets and Liquidity

Financial assets available for general expenditures within one year of June 30 are as follows:

	2024	2023
Total assets	\$ 22,737,797	\$ 23,283,144
Less:		
Prepaid expenses	888,248	329,417
Property and equipment, net	5,985,933	4,907,924
Deposits	43,015	23,850
Net assets with donor restrictions*	5,799,935	6,473,572
	<u>\$ 10,020,666</u>	<u>\$ 11,548,381</u>

\* Note this includes interest in net assets of WPAOG which amounted to \$4,016,107 and \$4,182,522 at June 30, 2024 and 2023.

The Association's working capital and cash flows have seasonal variations during the year attributable to cash receipts related to football, including; ticket sales, media rights, sponsorships and game guarantee payments. The Association's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short term investments. The Association can draw down its interest in the net assets of WPAOG that have not yet been distributed. Lastly, to help manage liquidity needs, the Association maintains a line of credit with a bank of \$5,000,000 that is drawn upon as needed to manage cash flow. At June 30, 2024 and 2023, there are no amounts outstanding on the line of credit and the entire amount is available (see Note 9).

#### 5. Contract Receivable and Liability

The following are the contracts receivable and liability balances at June 30:

	2024	2023	2022
Sponsorships receivable	\$ 1,470,000	\$ 1,420,750	\$ 1,350,000
Accounts receivable*	<u>558,588</u>	<u>251,212</u>	<u>259,534</u>
	<u>\$ 2,028,588</u>	<u>\$ 1,671,962</u>	<u>\$ 1,609,534</u>
Deferred revenue**	<u>\$ 11,354,563</u>	<u>\$ 9,210,401</u>	<u>\$ 7,664,845</u>

\* Included in other receivables in the statements of financial position.

\*\* Portion of deferred revenue on the statement of financial position that is from contracts.

## Army West Point Athletic Association Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 6. Interest in the Net Assets of the West Point Association of Graduates

The Association has endowments held by WPAOG to be used as a source of contributions to the Association. Distributions can be made in accordance with WPAOG's policy and at the Association's request. The investments managed by WPAOG are valued as Level 3 fair value, because the investments are not observable.

The following is a reconciliation of the activity in the endowment for the years ended June 30:

	2024	2023
Beginning of year	\$ 4,182,522	\$ 3,393,320
Increase in interest in net assets of WPAOG	853,989	1,266,323
Funds distributed as contributions	<u>(1,020,404)</u>	<u>(477,121)</u>
End of year	<u>\$ 4,016,107</u>	<u>\$ 4,182,522</u>

### 7. Property and Equipment

Property and equipment, net consists of the following at June 30:

	Useful Life	2024	2023
Furniture, fixtures and equipment	4-10 years	\$ 3,952,820	\$ 2,430,787
Building improvements	5-10 years	5,656,830	5,656,830
Construction in progress	-	1,024,553	281,025
Accumulated depreciation	-	<u>(4,648,270)</u>	<u>(3,460,718)</u>
		<u>\$ 5,985,933</u>	<u>\$ 4,907,924</u>

The total estimated cost of the projects in progress at June 30, 2024 is approximately \$1,400,000. Projects were completed on various dates in the period July 5, 2024, through September 18, 2024.

### 8. Deferred Revenue

Deferred revenue is comprised of the following at June 30:

	2024	2023
Football ticket sales	\$ 6,912,068	\$ 5,885,409
Summer camp	1,711,818	1,679,996
Media rights	737,500	725,000
Michie Stadium premium seating deposits	1,948,336	856,342
Grant advances	100,000	728,105
Other	<u>44,841</u>	<u>63,654</u>
	<u>\$ 11,454,563</u>	<u>\$ 9,938,506</u>

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

### **Notes to Financial Statements**

June 30, 2024 and 2023

#### **9. Borrowings Under Line of Credit**

The Association maintains a line of credit providing for borrowings of up to \$5,000,000 with a maturity date of August 24, 2027 and final payment due on August 31, 2027. Interest is calculated at the Term Secured Overnight Financing Rate ("SOFR") of 5.39% at June 30, 2024.

The line of credit contains various affirmative and negative covenants including a covenant to maintain a minimum fixed charge coverage ratio of 1.00 to 1.00 tested quarterly for the preceding twelve-month period commencing with the quarter ending September 30, 2022; a minimum pledged revenues to debt service ratio of 1.25 to 1.00 tested quarterly for the preceding twelve-month period commencing with the quarter ending December 31, 2025; and to deliver audited financial statements within 150 days after the end of each fiscal year of the Association (commencing with the fiscal year ending June 30, 2022). There was no balance outstanding at June 30, 2024 and 2023. Certain covenants were not met and a waiver was obtained.

#### **10. Notes Payable**

On August 25, 2022, the Association entered into a financing agreement in the amount of \$3,118,972 to refinance a previously existing equipment loan. The agreement provides for monthly payments of principal and interest in the amount of \$57,333 through its maturity on August 25, 2027. Interest is charged at 3.92% per annum. The master loan and security agreement contains various affirmative and negative covenants including a covenant to maintain a minimum operating cash flow to fixed charge ratio of 1.00 to 1.00 to be tested quarterly for the preceding twelve-month period and minimum pledged revenues to debt service ratio of 1.25 to 1.00 that will be measured commencing with the quarter ending December 31, 2025. The outstanding balance under this agreement at June 30, 2024 was \$2,043,690.

On April 10, 2024, the Association amended its credit facility agreement dated August 24, 2022. The amendment increased the borrowing of the delayed draw term loan facility to \$45,000,000 and extended the maturity date to August 24, 2028. Interest is calculated at the SOFR of 5.34% at June 30, 2024. As of June 30, 2024, there have been no draw downs on the credit facility.

The credit agreement contains various affirmative and negative covenants including a covenant to maintain a minimum fixed charge coverage ratio of 1.00 to 1.00 tested quarterly for the preceding twelve-month period commencing with the quarter ending September 30, 2022; a minimum pledged revenues to debt service ratio of 1.25 to 1.00 tested quarterly for the preceding twelve-month period commencing with the quarter ending December 31, 2025; and to deliver audited financial statements within 150 days after the end of each fiscal year. Certain covenants were not met and a waiver was obtained.

## Army West Point Athletic Association Inc.

### Notes to Financial Statements June 30, 2024 and 2023

#### 10. Notes Payable (*continued*)

Future principal payments on the notes payable are as follows for the years ending June 30:

2025	\$ 618,781
2026	643,503
2027	669,213
2028	112,193
	<u>\$ 2,043,690</u>

#### 11. Due From Related Parties

Amounts due from related parties consist of reimbursements for expenses paid and consist of the following at June 30:

	2024	2023
Army Athletic Association	\$ 132,501	\$ 280,037
West Point Association of Graduates	85,061	86,181
	<u>\$ 217,562</u>	<u>\$ 366,218</u>

#### 12. Contributed Non-Financial Assets

The Association's policy related to contributed non-financial assets and services is to utilize the assets received to carry out the mission of the Association. If an asset is received that does not allow the Association to utilize it in its normal course of business, the asset will be sold at its fair value as determined by appraisal or specialist depending on the type of asset.

Contributed non-financial assets and services consisted of the following for the years ended June 30:

Nonfinancial Asset	2024 Contributions	2023 Contributions	Monetized or Utilized	Utilization in Function	Donor Restrictions	Valuation Technique
Apparel	\$ 3,000,000	\$ 3,000,000	Utilized	Program service	None	Current purchase prices
Office rent	423,162	423,162	Utilized	Program service	None	Current rental rates
Legal services	-	240,000	Utilized	Program service	None	Current service rates
Furniture	-	10,200	Utilized	Program service	None	Current purchase prices
	<u>\$ 3,423,162</u>	<u>\$ 3,673,362</u>				

## Army West Point Athletic Association Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 13. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2024	2023
Baseball	\$ 207,170	\$ 306,834
Men's Basketball	59,189	29,398
Women's Basketball	128,577	198,756
Rifle	164,212	112,500
Football	22,812	300,331
Golf	282,029	357,797
Gymnastics	493,845	401,363
Hockey	202,071	249,788
Men's Lacrosse	60,297	164,181
Women's Lacrosse	186,624	272,833
Men's Soccer	442,556	497,393
Women's Soccer	363,794	327,605
Softball	86,893	77,893
Sprint Football	782,647	667,617
Swim/Dive	610,351	582,673
Men's Tennis	372,080	276,787
Women's Tennis	302,076	215,479
Track/Cross Country	283,262	346,562
Volleyball	77,774	81,187
Wrestling	171,075	257,122
Men's Rugby	294,782	337,510
Women's Rugby	86,507	73,965
Strength and Conditioning	2,396	2,396
ODIA awards	56,968	39,368
Rabble Rousers	42,884	20,880
Blaik memorial	-	224,894
Team Captain plaques	15,676	13,699
Shea stadium class memorial site	-	36,761
MacArthuther cup award	1,388	-
	<u>\$ 5,799,935</u>	<u>\$ 6,473,572</u>

## Army West Point Athletic Association Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 14. Net Assets Released From Restrictions

Net assets were released from donor restrictions for the following purposes during the years ended June 30:

	2024	2023
Baseball	\$ 143,926	\$ 28,913
Men's Basketball	80,448	201,527
Women's Basketball	100,911	18,093
Rifle	513	11,657
Football	432,548	117,579
Golf	158,189	16,692
Gymnastics	100,701	118,234
Hockey	183,459	140,445
Men's Lacrosse	172,210	186,901
Women's Lacrosse	130,915	40,250
Men's Soccer	156,008	24,956
Women's Soccer	179,078	40,470
Sprint Football	33,990	137,488
Swim/Dive	133,586	140,995
Men's Tennis	27,293	14,145
Womens Tennis	1,476	-
Track/Cross Country	132,454	96,960
Volleyball	52,013	42,072
Wrestling	167,935	172,721
Men's Rugby	145,570	85,261
Women's Rugby	51,625	16,601
Rabble Rousers	3,996	-
Blaik memorial	224,894	-
Shea stadium class memorial site	36,761	-
	<u>\$ 2,850,499</u>	<u>\$ 1,651,960</u>

### 15. 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.

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

### **Notes to Financial Statements**

June 30, 2024 and 2023

#### **15. Cooperative Agreement (*continued*)**

The result of the agreement will be a more agile athletics program that fully supports the mission of the USMA and ensure the Association remains compliant with auditing and accountability requirements, 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.

Army Athletic Association ("AAA"), a non-appropriated fund instrumentally operated by the United States Army Installation Command, supports the USMA 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. AAA provides IT support, facilities maintenance, and other administrative support services to the Association. Included in AAA support services in the accompany statements of functional expenses is approximately \$894,000 and \$377,000 for these services for the years ended June 30, 2024 and 2023. In addition, during 2024 and 2023, the Association paid certain expenses on behalf of AAA approximating \$8,466,000 and \$6,372,000. The amount due from AAA at June 30, 2024 and 2023 was \$217,562 and \$366,218.

#### **16. Related Party Transactions Not Disclosed Elsewhere**

A member of the Association's Board provided contributed legal services totaling \$240,000 for the year ended June 30, 2023. There were no contributed legal services for the year ended June 30, 2024.

#### **17. 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 \$503,736 and \$357,238 for the years ended June 30, 2024 and 2023.

#### **18. Commitments and Contingencies**

##### ***General***

From time to time, various claims and suits generally incident to the conduct of normal business are pending or may arise against the Association. In the opinion of management of the Association, after taking into account insurance coverage, losses, if any, from the resolution of pending litigation should not have a material effect on the Association's financial position or results of operations.

In 2020 and 2021, the Association was named in a lawsuit. While the Association and its insurance carrier were prepared to vigorously defend all of the plaintiff's claims, the amount of settlement of \$180,000 and \$75,000 was reasonable given the claims asserted and protracted cost of litigation. The lawsuits were settled on December 15, 2021 and January 31, 2023. These amounts were recognized in the period paid during the years ended June 30, 2023 and 2022.



**Army West Point Athletic Association Inc.**

Notes to Financial Statements

June 30, 2024 and 2023

**18. Commitments and Contingencies (*continued*)**

***Contract for Marketing and Sales***

On April 1, 2020 the Association entered into a three year sales services agreement (the "agreement") with Legends Sales and Marketing, LLC. ("Legends"). The agreement states that Legends will provide consultation and other services in relation to development and sales campaigns for capital gifts, premium seating and corporate hospitality relating to Michie Stadium (the "Stadium") renovations.

During the term of the agreement, the Association is required to pay Legends a management consulting fee totaling \$1,750,000. Monthly payments are made in the amount of \$62,500 during year 1 and \$41,667 during years 2 and 3 as defined in the agreement.

In connection with the Stadium renovations, during 2020 Legends made a capital investment of \$2,000,000 to the Association which was recorded as contributions from corporations in the statement of activities.

The agreement entitles Legends to a feasibility study fee of \$50,000 to be offset by any commissions earned by Legends for capital gifts raised, sales of premium seating and corporate hospitality sales as defined in the agreement.

The agreement states that if for any reason the agreement is terminated, Legends is entitled to a termination payment equal to the positive amount of the difference between \$2,000,000 and management consulting fees paid by the Association as of the date of the termination. The agreement will automatically extend through December 31, 2024, if the Stadium renovations are delayed. As of the date of the financial statements an agreement has been drafted to extend the original agreement with the expectation it will be signed during the year ended June 30, 2025.

\* \* \* \* \*

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

Uniform Guidance Reports and Schedules

June 30, 2024

## Army West Point Athletic Association Inc.

### Schedule of Expenditures of Federal Awards and Accompanying Notes Year Ended June 30, 2024

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass - Through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Defense				
U.S. Military Academy Athletic Programs at West Point	12.432		\$ -	\$ 12,236,142
Total Expenditures of Federal Awards				\$ 12,236,142

#### 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, 2024. 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 the Association, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Association.

#### 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 minimus indirect cost rate allowed under the Uniform Guidance.

See Independent Auditors' Report

**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") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 24, 2025.

**Report on 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) as a basis for designing 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

## **Report on 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 financial statements. 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*.

## **The Association's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Association's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 24, 2025

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

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

We have audited Army West Point Athletic Association Inc.'s (the "Association") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2024. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2024.

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

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Association's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-002. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Association's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

*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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Association's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report On Schedule of Expenditures and Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Association as of and for the year ended June 30, 2024 and 2023 and have issued our report thereon dated January 24, 2025, which contained an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance 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.



**Report On Schedule of Expenditures and Federal Awards Required by the Uniform Guidance (*continued*)**

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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

*PKF O'Connor Davies, LLP*

Newburgh, New York  
March 21, 2025

**Army West Point Athletic Association Inc.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024**

**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?   X   Yes        No
- Significant deficiency(ies) identified?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major federal programs: Material weakness(es) identified?        Yes   X   No

Significant deficiency(ies) identified?   X   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)?   X   Yes        No

Identification of major federal programs:

<u>Federal Assistance Listing Number</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   \$750,000  

Auditee qualified as low-risk auditee?        Yes   X   No

**Section II - Financial Statement Findings**

**Finding: 2024-001 Accounting Policy and Procedures Manual/Cash Disbursement Controls and Procedures**

**Criteria:** A system of internal controls for the cash disbursement process and for timely communication of fraud.

**Army West Point Athletic Association Inc.**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024

Section II - Financial Statement Findings (continued)

***Finding: 2024-001 Accounting Policy and Procedures Manual/Cash Disbursement Controls and Procedures (continued)***

***Condition:*** During our audit we noted that the controls and processes for cash disbursements as included in the Association's July 2019 Accounting Policy and Procedures manual (the "Manual") were not being adhered to as follows:

- Paper checks and supporting documents were approved electronically rather than on paper, as indicated in the Manual
- Positive pay was not turned on
- Delay in mailing checks after signing
- Segregation of duties was not being adhered to in preparing bank reconciliations
- Bank accounts were not reconciled timely
- Manual referred to specific job titles that were no longer used or currently staffed
- Manual referred to a banking institution that had not been used since 2022
- Manual does not include the processes for payments made via ACH, instead a separate Standard Operating Procedures ("SOP") was being utilized which did not match the process for payments made with wire transfers included in the Manual
- The check theft/fraud was not reported in a timely manner

***Effect:*** There is a risk that significant controls could be overridden and that misstatement to the financial statements would not be prevented or detected.

***Cause:*** There is a limited number of staff working at the Association and challenges maintaining formal processes and procedures occurred due to turnover and not updating controls and processes to align with changing needs in operations.

***Recommendation:*** We recommend that the Accounting Policy and Procedures manual be reviewed and updated to reflect the current internal controls and financial processes that are being performed. The updated internal controls and financial processes should address the observances noted above and be appropriate for the general ledger software package, banking relationship and Association operations to properly mitigate, prevent and detect the Association against error, fraud or theft over financial reporting and operations. In addition, an updated Manual can help to prevent confusion among employees relating to assigned roles and responsibilities. The updated policy should be approved by the Board of Directors and be communicated to management and fiscal personnel so that the appropriate controls and processes are put in place and to reinforce the appropriate actions and timing for reporting and investigating fraud. The Association should consider requiring review of the accounting policies and procedures manual annually by all finance personnel. In addition, the Association should consider having employees sign a statement that it was read, understood and will be followed.

***Management's Corrective Action Plan:*** Management has indicated that they have put certain procedures in place as detailed in the Corrective Action Plan located in Appendix A.

**Army West Point Athletic Association Inc.**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024

Section III - Federal Award Findings and Questioned Costs

**Finding:** 2024-002

**Agency:** US Department of Defense

**ALN # and Title:** ALN #12.432 – U.S. Military Academy Athletic Programs at West Point

**Federal Award Identification # and Year:** W911NF-17-2-0010, February 3, 2017 - June 30, 2033

**Criteria:** Per 2 CFR 200.328 and the Cooperative Agreement with the US Army, the Reporting Requirements state that (a) interim performance reports must be submitted in electronic form, (b) contain detail technical progress to date and report on all problems, technical issues, or major developments that arose during the reporting period, and (c) be submitted quarterly within 30 days after completion of the reporting period throughout the term of the agreement.

**Condition:** During the process of performing our audit, we noted that the interim performance report for two of two quarters selected during the period July 1, 2023 – June 30, 2024 were not submitted within 30 days after completion of the reporting period.

**Questioned costs:** None noted

**Effect:** The auditor must report late submission of interim performance reports as audit findings in a schedule of findings and questioned costs. The Association is not in compliance with the interim performance reporting deadline.

**Cause:** The interim performance reports were all completed on the same date and were submitted, via e-mail, in one batch for the entire period of July 1, 2023 – June 30, 2024, in October 2024 instead of the required reporting due dates for each quarter.

**Recommendation:** We recommend that the Association monitor reporting compliance by understanding the reporting requirements and establishing controls and processes to complete the timely filing of the interim performance reporting package by the due date.

**Management's Corrective Action Plan:** Management has indicated that they have put certain procedures in place as detailed in the Corrective Action Plan located in Appendix A.

**Army West Point Athletic Association Inc.**

Appendix A - Corrective Action Plan

June 30, 2024



# ARMY WEST POINT®

## BUSINESS OFFICE

### Corrective Action Plan for the Fiscal Year Ended June 30, 2024

**Audit Finding:** Pursuant to 2 CFR 200.327 and CFR 200.328 Report Requirements, Army West Point Athletic Association Inc. ("AWPAA") did not submit its interim performance reports within 30 days after the completion of each reporting period.

**Root Cause Analysis:** During FY2024, AWPAA did not submit its quarterly interim performance reports in accordance with the CA requirements. Instead, AWPAA submitted the FY2024 quarterly reports concurrently in October 2024. This was an oversight by the AWPAA & Government Program Management Teams.

**Corrective Action Plan:** To review the interim performance reporting requirements as outline in Section 10B of the Cooperative Agreement and coordinate the timely monitoring and submission of these quarterly reports by the AWPAA Program Management Team.

**Estimated Completion Date:** October 30, 2024 and note:

Interim Performance Report for the period ended September 30, 2024 was submitted October 28, 2024 (due by October 30, 2024).

Interim Performance Report for the period ended December 31, 2024 was submitted January 29, 2025 (due by January 30, 2025)

**Point of Contact:**   
Wen-Kang Chang, Chief Financial Officer



# ARMY WEST POINT®

## BUSINESS OFFICE

### Corrective Action Plan for the Fiscal Year Ended June 30, 2024

**Audit Finding:** Outdated accounting policy and procedures manual and certain internal controls and best practices for cash disbursements were not performed.


**Root Cause Analysis:** The AWPAA Business Office did not follow certain procedures related to cash disbursements and check theft reporting. In addition, the current accounting policy and procedures manual is outdated. Lastly, a review of banking and accounting system settings showed deficiencies.

**Corrective Action Plan:** To reorganize the Business Office staffing by adding positions to establish segregation of duties related to cash disbursements and bank reconciliations. To update the accounting policy and procedures manual to reflect current procedures and positions. To review banking and accounting software settings to ensure the organization's assets are protected.

**Estimated Completion Date:**

- 1) Develop a new Business Office organization chart no later than March 31, 2025.
- 2) Review banking and accounting software settings no later than June 30, 2025.  
Note: Positive pay banking feature has been activated.
- 2) Hire and train new Business Office staff no later than September 30, 2025.
- 3) Review and revised the current accounting policy and procedures manual no later than September 30, 2025.

**Point of Contact:**

  
Wen-Kang Chang, Chief Financial Officer