

**COASTAL CAROLINA UNIVERSITY
AGREED UPON PROCEDURES APPLIED TO
THE ATHLETIC DEPARTMENT
STATEMENT OF REVENUES AND EXPENSES**

Year Ended June 30, 2005

WALDA WILDMAN LLC
CERTIFIED PUBLIC ACCOUNTANT

State of South Carolina



Office of the State Auditor

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December 15, 2005

The Honorable Mark Sanford, Governor
and
Members of the Board of Trustees
Coastal Carolina University
Conway, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records and the statement of revenues and expenses of the Coastal Carolina University Intercollegiate Athletics Program for the fiscal year ended June 30, 2005, was issued by Walda Wildman, LLC, Certified Public Accountant, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

November 8, 2005

Mr. Thomas L. Wagner, Jr. CPA
State Auditor, State of South Carolina
Columbia, South Carolina

I have performed the procedures described below, which were agreed to by the President of Coastal Carolina University, the management of Coastal Carolina University, and the South Carolina State Auditor solely to assist the University in evaluating whether the accompanying statement of revenue and expenses of Coastal Carolina University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the fiscal year ended June 30, 2005. Coastal Carolina University's management is responsible for the statement of revenue and expenses (the statement) and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed and associated findings are as follows:

1. I obtained from the University's controller, the statement of revenues and expenses and notes thereto of the Coastal Carolina Athletic Department for the year ended June 30, 2005, as prepared by management of Coastal Carolina University and shown as Attachment A in this report. I recalculated the addition of the amounts on the statement, traced those amounts to management's worksheets and agreed the amounts on management's worksheets to the Athletic Department's accounts in the University's general ledger. I discussed the nature of the worksheet adjustments with management to satisfy myself that the adjustments were appropriate. I found no exceptions as a result of the procedures.
2. I compared each major revenue account to prior period amounts and budget estimates. I obtained and documented an understanding of any significant variations. I found that "Direct Institutional Support" and "Indirect Facilities and Administrative Support" were not included as prior year revenue and so were not comparable. I found that in the prior year, "Student Activity Fees" revenue was reported as non-sport specific, while for the current year, such fees were allocated to sports in amounts required for the sport's revenue to equal the sport's expenses.
3. I compared each major expense account to prior period amounts and budget estimates. I obtained and documented an understanding of any significant variations. I found that "Scholarships", "Guarantees", "Recruiting", "Team Travel", "Broadcasting Services", "Athletics Merchandise", "Administrative Expenses", "Printing and Advertising", and "Visiting Team/Tournament Expenses" were captions comparable to those reported last year. I found "Indirect Facilities and Administrative Cost" and "Direct Facilities Maintenance" were not included as prior year expenses and so were not comparable. I found that the remaining expense categories were not comparable to those used in the prior year because of changes in NCAA reporting requirements. I also found that expenses per the statement were not comparable to budget because the athletics department budget includes only expenses reported in the athletic

department fund (Fund 15) while the statement requires inclusion of expenses reported in other funds used by the University's accounting system.

4. I asked management to describe specific elements of the University's internal control unique to the Athletic Department's accounting system and financial reporting and documented their explanation.

a. From the Athletic Department cash receipts files for all sports, I selected a discretionary sample of 25 receipts for intercollegiate athletics and tested them to determine if they were properly recorded and classified in the accounting records based on my review of the supporting documentation. I verified the clerical accuracy and reviewed supporting documentation to determine that applicable internal control was functioning with respect to the selected receipts. The total of the selected items was 3.4% of the aggregate total of recorded receipts. I found no exceptions as a result of the procedures.

b. I selected a discretionary sample of 40 expenditures recorded in expense accounts applicable to the Athletic Department to determine if these expenditures were complete, properly classified, and properly authorized based on a review of the supporting documentation and if internal control over the reporting of these expenditures was operating as described. The items were selected from all expense accounts except scholarships, coaching and administrative salaries and benefits, severance payments, and indirect facilities and administrative costs. The items selected were .0079% of the aggregate total of recorded expenditures. I found no exceptions as a result of the procedures.

Revenue:

5. I obtained tickets sales records for the current and prior years. Because the University implemented a new ticket sales system in the year ended June 30, 2005, it was not possible to compare tickets sold in the current year to tickets sold in the prior year. Also, it was not possible to recalculate ticket sales proceeds because records are available only for tickets sold and don't include records of complimentary tickets and unsold tickets which are required to perform a recalculation.

6. I obtained and documented an understanding of the University's methodology for allocating student fees to intercollegiate athletics programs. I tested reported student activity fees revenue for reasonableness by comparing the recorded amount to my estimate of the fees using student enrollment and the fee per student per semester. I found no exceptions as a result of the procedures.

7. I examined guarantee contracts for all sports for fiscal year 2005. I compared the contract revenues to recorded revenues in the general ledger. I found no exceptions as a result of my procedures.

8. I inquired about settlement reports for away games during the reporting period and found that the University receives no settlements from its away games and therefore has no applicable settlement reports.

9. I compared direct institutional support recorded by the University with institutional authorizations and other corroborative support. I recalculated totals. I found no exceptions as a result of my procedures.

10. I compared indirect institutional support recorded by the University with institutional authorizations and other corroborative support. I recalculated totals. I found no exceptions as a result of my procedures.

11. I inquired about agreements related to the University's participation in revenues from tournaments and found that the University received no such revenues during the year ended June 30, 2005.

12. I inquired about agreements related to the University's participation in revenues from broadcast, television, radio, and Internet rights and found that the University received no such revenues during the year ended June 30, 2005.

13. I recalculated revenues for football program sales and found that program sales revenue per the statement

indicated that approximately only 2,500 of 6,500 programs printed were sold. After further inquiry, I found that the University could not determine whether proceeds from program sales were properly collected and reported or if significant numbers of programs were unsold.

14. I inquired about concession, novelty and parking sales revenue and found the following:

a. I found that, with the exception of two non-routine events, the University's food service vendor operates all athletic department concessions. The vendor is not required to and does not report the University's share of such revenue separate from other revenue payable under terms of the food service contract. Concession revenue for two non-routine events totaled \$13,328. I found that detailed records of these sales were not maintained in University files.

b. I found that detailed records of novelty sales (i.e., sales of shirts, hats, etc.) are not maintained by the University. Information on file regarding amounts recorded in the sales accounts references only "Sale of Athletic Gear". Accordingly, I was unable to recalculate proceeds from the sale of such items.

c. I found that, with one exception, parking revenue is received by the Chanticleer Club which allocates parking spaces based on the size of contributions. Parking revenue for one non-routine event totaled \$2,880 based on a charge of \$3 per vehicle

15. I inspected sports camp contracts between the University and the person(s) conducting them. I determined the University contracts with independent third parties to operate the various sports camps. The contractors pay the University \$5 to \$8 per participant for use of fields and facilities. I found that I could not recalculate amounts remitted to the University under terms of these contracts because the University does not require the contractors to provide attendance records when they submit remittances.

16. I inquired about endowment agreements and found that there are none during the year ended June 30, 2005.

Expenses:

17. I selected a discretionary sample of 25 students who received athletics student aid during the year. I obtained the student account detail and compared total aid allocated from the related aid award letter to the student's account. I recalculated totals. The total of the selected items was 7.73% of the total of students who received athletics student aid during the year. I found no exceptions as a result of my procedures.

18. I examined guarantee contracts for all sports for fiscal year 2005. I compared the contract expenses to recorded expenses in the general ledger and recalculated the totals. I found no exceptions as a result of my procedures.

19. I obtained and inspected a list of coaches employed by the University during the year. From the list, I selected a discretionary sample 15, including football and men's and women's basketball coaches. I compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits and bonuses recorded by the University during the reporting period. I obtained and inspected W-2 forms for each selection and compared and agreed totals reported thereon to amounts reported in the statement of revenues and expenses. I recalculated the totals. The total of the coaches selected was 39.5% of the total coaches. I found no exceptions as a result of my procedures.

20. I obtained and inspected a list of administrative and support staff employed the University during the year. From the list, I selected a discretionary sample of five. I obtained and inspected W-2 forms for each selection and compared and agreed totals reported thereon to amounts reported in the statement of revenues and expenses. I recalculated the totals. The total of the selected staff was 26.3% of the administrative and support staff. I found no exceptions as a result of my procedures.

21. I inquired about coaches employed by third parties during the period and found there were none during the year ended June 30, 2005.

22. I obtained a list of employees receiving severance payments from the University during the year. I agreed the severance payments to the related termination letter and recalculated totals. I found no exceptions as a result of my procedures.

23. I obtained and documented an understanding of the University's recruiting expense policies and compared them to NCAA-related policies. I found no exceptions as a result of my procedures.

24. I obtained and documented an understanding of the University's team travel policies and compared them to NCAA-related policies. I found no exceptions as a result of my procedures.

25. I inquired about the University's methodology for allocating indirect facilities support and found that it is not the University's policy to allocate such expenses.

26. I compared and agreed indirect facilities and administrative support revenue reported in the statement to the expense reported in the statement. I recalculated the totals. I found no exceptions as a result of my procedures.

Affiliated and Outside Organizations:

27. I obtained from the Athletic Department staff a list of all outside organizations which generate resources for the Athletic Department but which are not under the University's accounting control. The list included only the Coastal Carolina Booster Club, Inc (The Chanticleer Club). The Chanticleer Club has as its principal or one of its principal purposes the generating of resources for or on behalf of the University's intercollegiate athletics program or the promotion of the program.

28. I audited the Chanticleer Club's financial statements for the year ended June 30, 2005 and have issued my unqualified report thereon dated September 7, 2005. I agreed contributions to the University's athletics program per these statements to Chanticleer Club contributions per the University's general ledger, and I agreed in-kind contributions per the Chanticleer Club statements to in-kind contributions per the University's general ledger. I found no exceptions as a result of this procedure.

29. I issued a management letter related to my audit referred to in step 29 above which reported material weaknesses in the Chanticleer Club's internal control over financial reporting. I inquired regarding what corrective action is being taken. Chanticleer Club management is working to correct the findings.

30. I scanned the Athletic Department's contributions revenue accounts detail to identify each individual contribution received directly that constitutes more than ten percent of all contributions received for intercollegiate athletics. For the one such receipt, I reviewed the supporting documentation to determine if it was properly classified, if it was received from independent outside sources (those which don't have as one of their principal purposes the promotion and support of the intercollegiate athletics program), and to determine that the source and value of the contribution is disclosed in a footnote to the statement. I found no exceptions as a result of the procedures.

Other:

31. I obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the University. I recalculated the annual maturities (consisting of principal and interest) provided in the schedules maintained. I agreed the total annual maturities to supporting documentation and the University's general ledger. I found no exceptions as a result of my procedures.

32. I inquired about significant additions to restricted funds related to intercollegiate athletics as well as significant changes to endowment and plant funds. I was told there were none.

33. I obtained the University's policy for acquiring, approving, depreciating and disposing of intercollegiate athletics related assets. I obtained a schedule of capitalized assets, additions and improvements of facilities used in intercollegiate athletics. I agreed the amounts on the schedule to amounts in the University's fixed assets records. I found no exceptions as a result of my procedure.

I was not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying statement of revenue and expenses of Coastal Carolina University. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the President of Coastal Carolina University, the management of Coastal Carolina University, and the South Carolina State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.



WALDA WILDMAN, LLC
Certified Public Accountant

COASTAL CAROLINA UNIVERSITY ATHLETIC DEPARTMENT
STATEMENT OF REVENUES AND EXPENSES (UNAUDITED)
Year Ended June 30, 2005

	Football	Baseball	Men's Basketball	Men's Soccer	Women's Basketball	Other Sports	Non-Sport Specific	Total
Revenues:								
Student Activity Fees	\$ 1,173,892	\$ 408,484	\$ 361,835	\$ 272,602	\$ 405,027	\$ 1,854,787	\$ 267,404	\$ 4,744,031
Direct Institutional Support	274,216	226,534	91,140	105,930	113,780	691,010	1,286,350	2,788,960
Guarantees	3,000	-	129,296	571	11,000	400	-	144,267
Chanticleer Club Contributions	-	47,476	3,780	262	-	12,200	262,671	326,389
NCAA Program for Academic Enhancement	-	-	-	-	-	-	53,671	53,671
NCAA Conference Distributions	-	14,150	-	6,390	-	8,226	153,728	182,494
Big South Conference Distributions	-	-	45,498	-	838	-	35,752	82,088
Sponsorships/Royalties	-	7	-	-	-	-	227,308	227,315
Sport Camp Field Rentals	-	-	-	-	-	-	18,549	18,549
Ticket Sales	319,042	5,108	16,818	1,120	4,205	-	-	346,293
Program, Concession, Novelty and Parking Sales	-	814	-	1,049	1,445	6,843	92,355	102,506
Indirect Facilities and Administrative Support	319,644	79,252	126,862	54,643	70,958	298,405	674,924	1,624,688
In-kind Gifts	92,875	10,640	19,957	-	19,877	235,673	2,430	381,452
Other	-	11,065	-	-	-	8,045	3,586	22,696
Total Revenues	2,182,669	803,530	795,186	442,567	627,130	3,115,589	3,078,728	11,045,399
Expenses:								
Scholarships	837,852	272,480	236,115	211,407	292,639	1,400,009	-	3,250,502
Guarantees	15,000	14,069	6,510	2,000	4,387	2,820	-	44,786
Coaching Salaries and Fringe Benefits	597,597	159,834	254,713	111,064	143,328	606,515	-	1,873,051
Administrative Salaries and Fringe Benefits	52,085	1,248	3,136	-	895	-	1,371,796	1,429,160
Recruiting	29,664	20,418	21,015	8,747	13,225	44,259	76	137,404
Team Travel	43,743	94,579	65,935	36,075	31,222	295,977	19,011	586,542
Equipment, Uniforms and Supplies	114,633	37,078	25,046	11,852	24,425	146,779	231,265	591,078
Game Day Expenses	24,650	11,353	18,711	3,851	18,319	14,731	330	91,945
Indirect Facilities and Administrative Cost	319,644	79,252	126,862	54,643	70,958	298,405	674,924	1,624,688
Equipment Rentals and Leases	873	1,416	583	-	-	-	11,782	14,654
Direct Facilities Maintenance	341	79,966	568	14	-	44,772	13,726	139,387
Medical Expenses and Insurance	1,202	325	777	172	268	200	123,153	126,097
Broadcasting Services	-	-	-	-	-	-	23,381	23,381
Other Operating Expenses	57,441	6,630	25,357	106	19,127	240,603	163,448	512,712
Athletics Merchandise	-	-	-	-	-	-	50,999	50,999
Memberships and Dues	850	30	875	375	324	3,092	31,112	36,658
Administrative Expenses	10,005	6,537	6,470	1,205	5,958	10,691	77,324	118,190
Administrative Travel	10,529	-	2,153	-	1,445	3,951	32,818	50,896
Printing and Advertising	66,560	627	360	10	610	1,985	65,289	135,441
Visiting Team / Tournament Expenses	-	17,688	-	1,046	-	800	12	19,546
Total Expenses	2,182,669	803,530	795,186	442,567	627,130	3,115,589	2,890,447	10,857,118
Excess of Revenues Over Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,281	\$ 188,281

COASTAL CAROLINA UNIVERSITY ATHLETIC DEPARTMENT
NOTES TO STATEMENT OF REVENUES AND EXPENSES
Year Ended June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Statement of Revenues and Expenses was prepared on the accrual basis of accounting.

Basis for Allocation of Indirect Facilities and Administrative Support

"Indirect Facilities and Administrative Support" expense is computed using the Federal indirect cost rate negotiated by the University with the Department of Health and Human Services for use in grants from that agency. The applicable rate for the year ended June 30, 2005 is 49.2% of salaries and fringe benefits, applied to each sport and administration. This charge is offset in the report by an equal amount of revenue reported under the caption "Indirect Facilities and Administrative Support".

NOTE 2. INTERCOLLEGIATE ATHLETICS –RELATED ASSETS

Policies and procedures for acquiring, approving, depreciating and disposing of intercollegiate athletics-related assets comply with policies and procedures established by the State of South Carolina. Those policies and procedures provide that capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 12 to 50 years for buildings and improvements and land improvements and 3 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Athletics related fixed assets additions, deletions and totals for the year ended June 30, 2005 were as follows:

	Football Athletics Facilities	Basketball Athletics Facilities	Other Athletics Facilities	Total Athletics Facilities
Current year additions	\$ -	\$ -	\$ -	\$ -
Current year deletions	\$ -	\$ -	\$ -	\$ -
		Athletically Related	Institution's Total	
Total estimated book value of plant and equipment net of depreciation		\$ 14,585,688	\$ 89,029,931	

All University athletics facilities are under its direct control.

NOTE 3. DEBT RELATED TO INTERCOLLEGIATE ATHLETICS

At June 30, 2005, debt related to intercollegiate athletics was as follows:

COASTAL CAROLINA UNIVERSITY ATHLETIC DEPARTMENT
NOTES TO STATEMENT OF REVENUES AND EXPENSES
Year Ended June 30, 2005

	Interest Rates	Maturity Dates	Balance 30-Jun-05
State Institution General Obligation Bonds			
Related to Athletics Facilities	3.25% to 4.625%	9/1/2022	<u>\$ 5,178,600</u>

Maturities of debt related to intercollegiate athletics at June 30, 2005 were as follows:

Due in fiscal	Principal	Interest	Payments
2006	\$179,550	\$329,439	\$508,989
2007	189,000	201,558	390,558
2008	198,450	195,262	393,712
2009	211,050	188,344	399,394
2010	220,500	180,791	401,291
2011-2015	1,288,350	766,238	2,054,588
2016-2020	1,666,350	467,362	2,133,712
2021-2023	1,225,350	85,893	1,311,243
	<u>\$5,178,600</u>	<u>\$2,414,886</u>	<u>\$7,593,486</u>

For the year ended June 30, 2005, total debt service and total debt compared to athletically-related debt service and total debt was as follows:

	Athletically Related	University Total
Total annual debt service	\$ 383,328	\$ 2,700,654
Total debt outstanding	\$ 5,178,600	\$ 33,645,000

NOTE 4. SUMMARY OF REVENUES AND EXPENSES FOR OR ON BEHALF OF INTERCOLLEGIATE ATHLETICS PROGRAMS BY AFFILIATED AND OUTSIDE ORGANIZATIONS

A summary of revenues and expenses for or on behalf of intercollegiate athletics programs by affiliated and outside organizations for the year ended June 30, 2005 is as follows:

	Coastal Carolina Booster Club Inc.
Revenues:	
Contributions	\$ 759,031
Investment income	3,960
Fundraising events	103,702
Total	<u>\$ 866,693</u>
Expenses:	
Support of Coastal Carolina University Athletics Program	<u>\$ 413,624</u>

COASTAL CAROLINA UNIVERSITY ATHLETIC DEPARTMENT
NOTES TO STATEMENT OF REVENUES AND EXPENSES
Year Ended June 30, 2005

NOTE 5. INDIVIDUAL CONTRIBUTIONS EXCEEDING TEN PERCENT OF TOTAL CONTRIBUTIONS

Contributions and gifts to Coastal Carolina University's intercollegiate athletics program totaled \$707,841. This amount is reported in Attachment A at the following captions:

Chanticleer Club Contributions	\$ 326,389
In-kind gifts	<u>381,452</u>
	<u>\$ 707,841</u>

Individual contributions which exceeded 10 percent of the total contributions and the related donors included in the above amounts are as follows:

Chanticleer Club	\$ 253,100
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COASTAL CAROLINA UNIVERSITY
INDEPENDENT ACCOUNTANT'S COMMENTS
Year Ended June 30, 2005

CURRENT YEAR COMMENTS

Because the format required by the NCAA for the statement of athletic department revenues and expenses is new this year, the University's financial reporting system is not set up to accommodate the increased complexity of the new report. For example, the athletic department budget is not comprehensive. It includes only transactions reported in "15" funds and excludes certain transactions recorded in "10" funds which must be included in the statement as required by the NCAA and as required to obtain a complete understanding of resources provided and used by the athletic department. The University should consider using the income and expense categories specified by the NCAA and developing comprehensive athletic department budgets.

Also, until Coastal's football program began, revenues for tickets, the sale of programs and novelties and royalties were far from material to the University's financial statements taken as a whole. However, the growth of the University's athletic program and the increased reporting requirements imposed by the NCAA require the University to consider streamlining its athletic reporting system to accommodate not only NCAA reporting but also increased control of athletic department revenues. In particular, the University should institute controls over revenue from the sale of football programs and novelties.

FOLLOW UP ON PRIOR YEAR COMMENTS

When I compared the 2004 guarantee contract amounts with recorded guarantee revenues, I found that revenue for one contract was understated because travel expenses were deducted from the guarantee payment before the balance was turned over to the University Bursar for deposit. The Athletic Department has discussed its policy against such a procedure with applicable coaches.