

**THE CITADEL**  
**THE MILITARY COLLEGE OF SOUTH CAROLINA**

Intercollegiate Athletics Program

Year Ended June 30, 2005

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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January 17, 2006

The Honorable Mark Sanford, Governor  
and  
Members of the Board of Visitors  
The Citadel, The Military College of South Carolina  
Charleston, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records and the statement of revenues, expenditures, and transfers of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program for the fiscal year ended June 30, 2005, was issued by Cherry, Bekaert & Holland, LLP, Certified Public Accountants, 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,

A handwritten signature in black ink, appearing to read 'Tom Wagner', written over a vertical line.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/trb

**THE CITADEL  
THE MILITARY COLLEGE OF SOUTH CAROLINA**

Intercollegiate Athletics Program

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## **Independent Accountants' Report on Applying Agreed-Upon Procedures**

Mr. Thomas L. Wagner Jr., CPA  
State Auditor  
State of South Carolina  
1401 Main Street, Suite 1200  
Columbia, South Carolina

The Citadel  
The Military College of South Carolina  
171 Moultrie Street  
Charleston, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Office of the State Auditor and the management of The Citadel, The Military College of South Carolina (The Citadel) solely to assist you in evaluating whether the Statement of Revenues and Expenses of the Intercollegiate Athletic Program of The Citadel is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2005 and to assist you in your evaluation of the effectiveness of The Citadel's internal control over financial reporting as of June 30, 2005. Management of The Citadel is responsible for compliance with NCAA Bylaw 6.2.3.1 and maintaining effective internal control over financial reporting. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specific users of this report. Consequently, we 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. For purposes of this report materiality is defined as \$1,000.

### **Procedures Related to the Statement of Revenues and Expenses**

1. We obtained the Statement of Revenues and Expenses for the year ended June 30, 2005, as prepared by management and shown in Attachment A herein. We recalculated the mathematical accuracy of the amounts on the schedule and compared the amounts to The Citadel's general ledger.

No exceptions were noted.

2. We confirmed directly with responsible officials of The Citadel Brigadier Foundation the amount of contribution revenue remitted to The Citadel for the year ended June 30, 2005. We compared the amount of contribution revenue confirmed by The Citadel Brigadier Foundation with the amount recorded on The Citadel's general ledger for the year ended June 30, 2005.

We found the amount per the confirmation and the general ledger was in agreement.

3. We requested from management a schedule of capital asset additions of The Citadel's Intercollegiate Athletic Program, summarized by type, for the year ended June 30, 2005.

We were informed there were no capital asset additions for the year ended June 30, 2005.

4. We scanned The Citadel's general ledger for individual contributions that constituted more than ten percent of the contribution revenue included in Attachment A.

We found one individual contribution that constituted more than ten percent of the contribution revenue included in Attachment A. The contribution was from The Citadel Brigadier Foundation.

5. We obtained the reconciliation of revenue from football ticket sales between the general ledger and The Citadel's Point of Sale Summary Report for the year ended June 30, 2005 prepared by the athletics department business manager and reviewed by The Citadel's internal auditor, and compared such revenue to the corresponding amount in Attachment A.

The Ticket Status Report and the revenue from football ticket sales per Attachment A were materially in agreement.

6. For contribution revenue, we compared the amount per the general ledger to the corresponding amount in Attachment A.

We found Attachment A and the general ledger was in agreement.

7. For guarantees revenue, we obtained a detail of the revenue reported and compared the amount per the detail to the corresponding amount in Attachment A. We compared individual amounts in the detail to amounts on the guarantee contracts.

We found Attachment A and the detail to be in agreement; and we found such amounts to be in agreement with the supporting contracts.

8. We obtained the Royalties, Advertising and Sponsorship revenue detail and compared the amount per the detail to the corresponding amount in the Statement of Revenue and Expenses in Attachment A. We chose three corporate sponsors, Coca Cola, Homewood Suites and Applebee's Restaurant, and agreed the revenue per the signed agreements to the revenue recorded by The Citadel on the general ledger.

The statement and the detail were in agreement. We also found the amounts recorded for royalties, advertising and sponsorship by Coca Cola, Homewood Suites and Applebee's Restaurant to be in agreement with the signed agreements.

9. We compared the amount of direct institutional support reported on the Statement of Revenue and Expenses in Attachment A with the amount of direct institutional support recorded by The Citadel on the general ledger.

We found Attachment A and the general ledger to be in agreement.

10. We compared the amount of student fees reported on the Statement of Revenue and Expenses in Attachment A with the amount of student fees recorded by The Citadel on the general ledger.

We found Attachment A and the general ledger to be in agreement.

11. For coaching salaries and benefits expense and support staff/administrative salaries and benefits expense we obtained a detail listing and compared the amounts per the detail to the corresponding amounts reported in the Statement of Revenue and Expenses in Attachment A and in the general ledger.

We found Attachment A and the general ledger to be in agreement with the detail.

## Procedures Related to Internal Control Over Financial Reporting

12. Thirteen daily deposits for the year ended June 30, 2005 were haphazardly selected from the daily receipt reports in The Citadel's Treasurer's office. Each of the selected daily cash receipts were compared to validated deposits slips. The items selected were as follows:

<u>Receipt Number</u>	<u>Date</u>	<u>Amount</u>
1. 6580	July 9, 2004	\$ 928.00
2. 7686	October 12, 2004	1,665.64
3. 6617	August 9, 2004	1,000.00
4. 8972	December 22, 2004	140.00
5. 6567	July 5, 2004	500.00
6. 8179	November 2, 2004	100.00
7. 9739	February 14, 2005	2,142.00
8. 9407	January 26, 2005	96.00
9. 7648	September 22, 2004	1,310.00
10. 10074	March 7, 2005	1,187.56
11. 10575	April 11, 2005	1,720.00
12. 11183	May 23, 2005	702.00
13. 11612	June 28, 2005	1,000.00

We found such amounts from the daily receipt reports to be in agreement with the validated deposit slips.

13. We haphazardly selected ten employees paid from the Intercollegiate Athletic Program for the year ended June 30, 2005. For each of these employees we compared the disbursed amount to the authorized amount per pay period. To determine the authorized amount per pay period we divided the approved annual salary as listed on either the signed employee contract or most recent salary adjustment form by the number of pay periods in a year. The employees selected were as follows:

Ryan M. Hearn	Maurice T. Drayton
Stephen Wall	David T. Lair
David J. Beckley	John N. Patterson
Kevin F. Higgins	Robert M. Fello
Henry J. Craven Sr.	Chris Lenzo

We found the disbursed amounts to be in agreement with the authorized amounts.

14. We haphazardly selected twenty cash disbursements for the Intercollegiate Athletic Program for the year ended June 30, 2005. For each of these twenty disbursements, we compared the disbursed amount and payee information to supporting documentation (i.e. receipts, invoices and acknowledgement of receipt). The items selected were as follows:

<u>Description</u>	<u>Check Number</u>	<u>Disbursement Amount</u>
1. Citadel Athletic Fund	310819	\$ 6,013.56
2. Charles Bruce	321198	110.00
3. Jim Woodring	319595	330.00
4. Augusta State University	311952	1,000.00
5. Citadel Athletic Fund	313170	1,661.25
6. Riley Johnson Jr.	311557	550.00
7. Maurice Drayton	315475	173.51
8. Citadel Athletic Fund	311792	2,246.28
9. Citadel Athletic Fund	326675	299.55
10. Citadel Athletic Fund	321333	2,534.59
11. Citadel Athletic Fund	309494	9,284.87
12. Citadel Athletic Fund	321048	6,598.86
13. William A. Clawson	306665	52.98
14. ITA	312197	375.00
15. Citadel Athletic Fund	320618	1,378.94
16. Citadel Athletic Fund	310452	3,301.11
17. Citadel Athletic Fund	324141	490.98
18. Jeff Ragan	311902	167.33
19. Citadel Athletic Fund	307460	375.00
20. David Beckly	314516	35.22

We found the disbursement amounts to be in agreement with the supporting documentation.

15. We compared the amounts reported on the Statement of Revenues and Expenses in Attachment A for the year ended June 30, 2005 with the amounts reported on the Statement of Revenues and Expenses for the year ended June 30, 2004 and with the budgeted amounts for the year ended June 30, 2005.

16. We requested from management a list of all outside organizations not under the accounting control of The Citadel that have as one of their primary purposes the generation of resources for, or on behalf of, The Citadel's Intercollegiate Athletic Program or the promotion of this program. We also requested from management financial statements of identified outside organizations for the year ended June 30, 2005.

Management informed us The Citadel Brigadier Foundation was the only outside organization not under the accounting control of The Citadel that had as one of its primary purposes the generation of resources for, or on behalf of, The Citadel's Intercollegiate Athletic Program. Management furnished us copies of

audited financial statements of The Citadel Brigadier Foundation for the year ended June 30, 2005.

17. We requested from management a list of all expenditures made by outside organizations not under the accounting control of The Citadel for or on behalf of The Citadel's Intercollegiate Athletic Program or any of its employees.

We were told there were no expenditures made by outside organizations not under the accounting control of The Citadel for or on behalf of The Citadel's Intercollegiate Athletic Program or any of its employees.

18. We obtained from management the method for allocating overhead expense to the athletic department. We read Note 1 to the Statement of Revenues and Expenses to determine if the method disclosed Note 1 was consistent with the method described to us.

We found the method reported in Note 1 consistent with the explanation provided to us.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Statement of Revenues and Expenses of the Intercollegiate Athletic Program of The Citadel or on compliance with NCAA Bylaw 6.2.3.1 or on the effectiveness of The Citadel Intercollegiate Athletic Department's internal control over financial reporting for the year ended June 30, 2005. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Cherry, Betts & Holland, L.L.P.*

November 29, 2005  
Beaufort, South Carolina

**THE CITADEL**

The Military College of South Carolina  
Intercollegiate Athletics Program

**Statement of Revenues and Expenses**  
For the year ended June 30, 2005  
(Unaudited)

	FOOTBALL	BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
<b>Revenues:</b>					
Ticket sales	\$ 370,818	\$ 52,443	\$ 42,090	\$ -	\$ 465,351
Student fees	616,164	239,344	628,900	1,142,392	2,626,800
Guarantees	555,000	40,000	11,011	-	606,011
Contributions	374,744	75,617	472,894	51,950	975,205
Direct Institutional support	1,237,310	251,322	1,466,517	-	2,955,149
NCAA/conference distributions	-	-	-	246,983	246,983
Broadcast, television, radio and Internet rights	-	-	-	6,500	6,500
Program sales, concessions, novelty sales and parking	19,658	7,370	17,448	47,392	91,868
Royalties, advertisements and sponsorships	10,465	-	99,594	36,500	146,559
Other revenue	5,250	2,260	5,993	71,403	84,906
<b>Total operating revenue</b>	<b>\$ 3,189,409</b>	<b>\$ 668,356</b>	<b>\$ 2,744,547</b>	<b>\$ 1,603,120</b>	<b>\$ 8,205,432</b>
<b>Expenses:</b>					
Athletics student aid	\$ 1,367,699	\$ 277,807	\$ 1,621,058	\$ -	\$ 3,266,564
Guarantees	25,000	13,000	10,080	-	48,080
Coaching salaries and benefits	598,927	232,649	611,307	-	1,442,883
Support staff/administrative salaries and benefits	-	-	-	1,060,556	1,060,556
Recruiting	120,463	43,000	27,536	-	190,999
Team travel	117,718	86,101	294,123	-	497,942
Equipment, uniforms and supplies	174,139	45,453	162,530	-	382,122
Game expenses	41,110	43,198	62,988	-	147,296
Fundraising, marketing and promotion	37,404	9,306	8,086	145,981	200,777
Direct facilities, maintenance and rental	3,836	-	25,186	333,841	362,863
Other operating expenses	120,233	27,619	142,366	345,250	635,468
<b>Total operating expenses</b>	<b>2,606,529</b>	<b>778,133</b>	<b>2,965,260</b>	<b>1,885,628</b>	<b>8,235,550</b>
<b>Excess of revenues over (under) expenses</b>	<b>\$ 582,880</b>	<b>\$ (109,777)</b>	<b>\$ (220,713)</b>	<b>\$ (282,508)</b>	<b>\$ (30,118)</b>

The accompanying notes are an integral part of this statement.

**THE CITADEL  
THE MILITARY COLLEGE OF SOUTH CAROLINA  
INTERCOLLEGIATE ATHLETICS PROGRAM  
NOTES TO STATEMENT OF REVENUES AND EXPENSES  
JUNE 30, 2005  
(Unaudited)**

**1. Allocation of Overhead**

The Citadel prepares an annual study of overhead to charge to all of its auxiliary activities. The overhead charge to the athletics department is derived from that study. The study is reviewed as part of the college's regular financial audit, and is comprised of an allocation of various institutional costs.

**2. Contributions**

The Citadel received one contribution from an outside organization that exceeded ten percent of all contributions to the Athletic Department during the year ended June 30, 2005. The contribution was received from the Brigadier Foundation in the amount of \$882,964 and is restricted to scholarships.

**3. Direct Institutional Support**

The Citadel provided \$2,955,149 of direct institutional support to the Athletic Department in fiscal year 2005. This total was composed of transfers from auxiliaries of \$963,673, transfers from unrestricted gifts of \$1,009,632, and waived fees of \$981,844.