

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

Intercollegiate Athletics Program

Year Ended June 30, 2002

State of South Carolina



Office of the State Auditor

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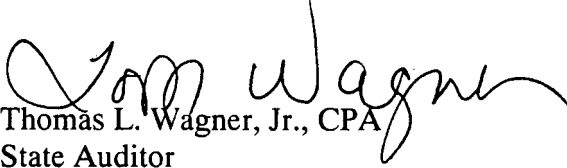
March 26, 2003

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, 2002, 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,

  
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**

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Office of the State Auditor  
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MG John S. Grinalds, USMC (Ret.)  
President  
The Citadel  
171 Moultrie Street  
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We have performed the procedures enumerated below, which were agreed to by the South Carolina Office of the State Auditor and the Board of Visitors and management of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program solely to assist The Citadel in complying with NCAA Bylaw 6.2.3.1 for the fiscal year ended June 30, 2002. The Board of Visitors and management are responsible for The Citadel's compliance with the requirements of NCAA Bylaw 6.2.3.1 and supporting financial records and those internal controls related to compliance. This agreed-upon procedures engagement was conducted in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below for either the purpose for which this report has been requested or for any other purpose. The procedures and associated findings are as follows:

1. We obtained from The Citadel's accounting manager the Statement of Revenues, Expenditures and Transfers of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program, for the year ended June 30, 2002, as prepared by the accounting department of The Citadel and shown as Attachment A in this report. We recalculated the addition of the amounts on the statement, traced the individual line item amounts from the financial statements to management's worksheets and compared the amounts on management's worksheets to The Citadel's general ledger. We found no exceptions as a result of these procedures.

2. We obtained from management a list of all outside organizations not under the accounting control of The Citadel. Such an organization has as its principal or one of its principal purposes the generation of resources for or on behalf of The Citadel's Intercollegiate Athletics Program or the promotion of the program. Management included one outside organization, The Brigadier Foundation on the list. We also obtained descriptions of The Citadel's methods for gathering information on the nature and extent of the Brigadier Foundation's activities.
3. We obtained copies of The Brigadier Foundation's financial statements for the fiscal year ended June 30, 2002. We confirmed amounts received from the Brigadier Foundation listed on the Statement of Revenues, Expenditures, and Transfers on Attachment A directly with responsible officials of the Brigadier Foundation. We found no exceptions as a result of these procedures.
4. We requested from the accounting manager a list of all expenditures made directly by the respective outside organizations (not under the accounting control of The Citadel) for or on behalf of The Citadel's Intercollegiate Athletic Program or employees. The accounting manager indicated there were no expenditures made directly by any outside organization.
5. We scanned additions to restricted current, endowment, and plant fund accounts on The Citadel's general ledger for additions related to its intercollegiate athletics programs. We found one such addition for \$75,000 based on the account descriptions in the general ledger. We obtained and read correspondence from the donor and compared the amount per the correspondence with the amount recorded in the general ledger of The Citadel. We found no exceptions as a result of our procedures. We obtained and read the footnote disclosure relating to this addition in a footnote to the Statement of Revenues, Expenditures and Transfers on Attachment B to determine if the information presented in the footnote agreed with The Citadel's accounting records. The transaction was excluded from the Statement of Revenues, Expenditures and Transfers of the Intercollegiate Athletics Program in accordance with the requirements found on page four of the NCAA Financial Audit Guidelines. We found no exceptions as a result of the procedures.
6. We scanned the intercollegiate athletic program contribution revenue accounts detail of the general ledger to identify each individual contribution received directly that constituted more than ten percent of all contributions received for intercollegiate athletics. As a result of our procedures, we found one such contribution in the amount of \$1,180,000. We obtained a copy of the remittance advice from the donor to determine if it was received from an independent outside source (which does not have as one of its principal purposes the promotion and support of the athletic program), and to determine that its source and value were disclosed in a footnote to the statement. We compared the description of the contribution from the supporting documentation to the classification in the footnote on Attachment B. We found no exceptions as a result of the procedures.

7. We obtained from management the general ledger activity for all cash receipts related to intercollegiate athletics. We selected 7.1% of the total receipts for intercollegiate athletics. We then compared the recorded cash receipt amount to the amount on the Cash Receipt Form prepared by the athletic department and submitted along with the cash to the treasurer's office. See attachment C to this report for a summary of items tested. We found no exceptions as a result of the procedures.
8. We asked management to describe specific elements of The Citadel's internal control over financial reporting unique to the Intercollegiate Athletics Program's accounting system and financial reporting.
  - a We multiplied the number of students enrolled per the Registrar's office by the published athletic fee per student per semester of \$428 and compared this amount to the amount recorded on the Statement of Revenues, Expenditures and Transfers. The difference was \$8,764.
  - b We obtained a copy of the football ticket sales report prepared by the internal auditor. This report contains a reconciliation of tickets printed, tickets sold and unused ("deadwood") tickets. We selected the east and west side ticket sales reconciliations from this report and compared them to the ticket reconciliations prepared by the Athletic Department for the Appalachian State, Wofford and Furman home football games. We recalculated the mathematical accuracy of the reconciliation prepared by the internal auditor. We found no exceptions as a result of the procedures.
  - c We selected a sample of recorded expenditures for salaries and benefits, game guarantees, team and employee travel, other professional services, sports medicine allocation and scholarships and grants from the general ledger. We compared the classification of the selected expenditures in the statement on Attachment A to the classifications permitted by NCAA Guidelines as stated in the NCAA Audit Legislation. For the selected expenditures we obtained the related disbursement package to determine the items required by The Citadel's procurement policy were included and that the expenditure had been authorized in accordance with The Citadel's procurement policy. The total of the selected items was 2.56% of the aggregate total of recorded expenditures. The items selected and procedures performed are included as Attachment D. We found no exceptions as a result of the procedures.
9. We obtained and read guarantee contracts for all football, basketball, and baseball games during the year ended June 30, 2002. We compared the contract revenues to recorded revenues in the Intercollegiate Athletics Program series of accounts in the general ledger. We also compared the football, basketball and baseball expenditures per the contracts to expenditures recorded in the expenditure accounts in the Intercollegiate Athletic Program series of accounts in the general ledger. We found no exceptions as a result of the procedures.

10. We obtained a schedule of athletic department salaries from management. We compared the amounts listed on the schedule to amounts recorded in the general ledger and on The Statement of Revenues, Expenditures and Transfers. We calculated the related fringe expenditures using The Citadel's fringe benefit rate and compared the amounts calculated with reported expenditures in the appropriate general ledger accounts. We identified no exceptions as a result of the procedures.
11. We asked the accounting manager to explain The Citadel's method for allocating overhead to the athletic programs. The accounting manager told us that overhead is not allocated within the athletic department among programs. We compared the treatment of overhead as described to us with the treatment described in a footnote to the Statement of Revenues, Expenditures and Transfers. We found no exceptions as a result of the procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items and, furthermore, we were not engaged to express an opinion on the effectiveness of the internal controls over compliance described in paragraph one and procedures one through eleven of this report. Accordingly, we do not express such opinions. 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 Office of the South Carolina State Auditor and the Board of Visitors and management of The Citadel, The Military College of South Carolina, and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekaert + Holland, L.L.P.*

Florence, South Carolina  
January 15, 2003

Cherry, Bekaert & Holland, L.L.P.  
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Represented Internationally: An independent member of Baker Tilly International

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

Statement of Revenues, Expenditures and Transfers  
Intercollegiate Athletic Program  
For the Year Ended June 30, 2002  
(Unaudited)

	<u>Football</u>	<u>Basketball</u>	<u>Other Sports</u>	<u>Non- Program Specific</u>	<u>Total</u>
<b>Revenues:</b>					
Ticket sales	\$ 455,313	\$ 62,259	\$ 29,615	\$ -	\$ 547,187
Game guarantees	150,000	70,000	8,223	-	228,223
Program sales	7,700	959	400	-	9,059
Promotions	-	2,000	37,776	95,516	135,292
Concessions	25,144	12,352	12,401	9,453	59,350
Student activity fee	460,598	176,155	440,302	568,402	1,645,457
Entry fees	-	-	7,037	-	7,037
Mailing and handling	-	-	-	3,826	3,826
Coach's rental car payments	4,590	1,440	1,440	-	7,470
Contributions - unrestricted	13,400	1,665	13,154	60,327	88,546
Contributions - restricted	534,052	110,201	535,747	-	1,180,000
Advertising	28,705	4,300	13,200	750	46,955
SOCON/NCAA distributions	-	-	182	115,229	115,411
Broadcast rights	-	-	-	6,000	6,000
Rental income	-	-	-	38,370	38,370
Parking fees	-	-	-	62,228	62,228
Other revenue	-	-	-	9,782	9,782
<b>Total revenues</b>	<u>1,679,502</u>	<u>441,331</u>	<u>1,099,477</u>	<u>969,883</u>	<u>4,190,193</u>
<b>Transfers in for scholarships</b>					
From the Daniel Fund	100,000	-	-	-	100,000
From the Turner Fund	5,661	21,803	105,997	-	133,461
<b>Transfers in for operation</b>					
From the Turner Fund	-	-	-	368,984	368,984
From the auxiliary enterprises	-	-	-	851,097	851,097
<b>Total transfers in</b>	<u>105,661</u>	<u>21,803</u>	<u>105,997</u>	<u>1,220,081</u>	<u>1,453,542</u>
<b>Total sources of all funds</b>	<u>\$ 1,785,163</u>	<u>\$ 463,134</u>	<u>\$ 1,205,474</u>	<u>\$ 2,189,964</u>	<u>\$ 5,643,735</u>



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Statement of Revenues, Expenditures and Transfers  
Intercollegiate Athletic Program  
For the Year Ended June 30, 2002  
(Unaudited)

	<u>Football</u>	<u>Basketball</u>	<u>Other Sports</u>	<u>Non- Program Specific</u>	<u>Total</u>
<b>Expenditures:</b>					
Salaries and benefits					
Coaches	\$ 564,207	\$ 215,182	\$ 541,712	\$ -	\$ 1,321,101
Other	2,475	1,545	-	699,314	703,334
Prospect travel	31,847	8,821	23,997	-	64,665
Team travel	96,133	69,860	205,901	-	371,894
Team entry fees	-	-	3,910	-	3,910
Employee travel	30,956	18,473	35,747	6,880	92,056
Food services	14,177	2,445	7,668	18,758	43,048
Game guarantees	49,000	9,500	10,500	-	69,000
Event staff	18,486	15,687	6,456	2,674	43,303
Advertising	-	-	312	14,396	14,708
Printing	35,925	6,048	6,405	57,186	105,564
Repairs	1,355	433	2,634	9,951	14,373
Other contractual services	29,196	7,686	19,165	14,535	70,582
Laundry	201	66	483	9,423	10,173
Freight	4,007	2,224	1,682	4,619	12,532
Photography	500	-	-	1,424	1,924
Commissions	1,305	-	-	1,500	2,805
Maintenance contracts	-	-	-	6,101	6,101
Officials	19,296	30,122	27,222	-	76,640
Physician fees	5,497	2,725	4,476	-	12,698
Bank fees	-	-	-	2,597	2,597
Other professional services	-	-	5	138,782	138,787
Telephone	23,300	7,111	17,115	14,051	61,577
Other utilities	-	-	3,304	18,199	21,503
Awards	1,285	421	14,102	73	15,881
Postage	-	-	-	19,544	19,544
Other supplies	182,065	36,367	204,633	109,759	532,824
Other fixed charges	884	-	4,108	1,800	6,792
Insurance	10,000	4,000	3,153	30,948	48,101
Dues	-	285	2,540	5,450	8,275
Overhead allocation	-	-	-	236,520	236,520
Registration fee	152	2,099	10,331	1,929	14,511
Equipment rental	969	-	10,379	15,751	27,099
Equipment	-	-	12,815	24,274	37,089
Admission tax	21,685	2,887	1,147	-	25,719
Other expenses	1,343	1,279	834	25,497	28,953
Scholarships and grants	639,713	132,004	641,744	-	1,413,461
<b>Total expenditures</b>	<u>1,785,959</u>	<u>577,270</u>	<u>1,824,480</u>	<u>1,491,935</u>	<u>5,679,644</u>
Transfers out for debt service	-	-	-	4,524	4,524
<b>Total uses of all funds</b>	<u>1,785,959</u>	<u>577,270</u>	<u>1,824,480</u>	<u>1,496,459</u>	<u>5,684,168</u>
<b>Excess of sources of funds over (under) uses</b>	<u>\$ (796)</u>	<u>\$ (114,136)</u>	<u>\$ (619,006)</u>	<u>\$ 693,505</u>	<u>\$ (40,433)</u>

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

Notes to Statement Revenues, Expenditures and Transfers  
Intercollegiate Athletic Program  
Year Ended June 30, 2002  
(Unaudited)

**Note One - Allocation of Overhead**

The Citadel prepares an annual study of overhead charged to its auxiliary activities. The overhead charge to the athletic department is derived from that study. The Citadel does not allocate overhead to individual athletic programs. Rather, overhead is allocated to the department as a whole. The study is reviewed as part of the college's financial audit and is comprised of an allocation of various institutional costs.

**Note Two - Contributions**

The Citadel received one contribution from an outside organization that exceeded ten per cent of all contributions to the athletic department during the year ended June 30, 2002. The contribution was received from the Brigadier Foundation in the amount of \$1,180,000 and is restricted to scholarships.

**Note Three - Altman Athletic Center Gift**

The family of Mr. William M. Altman, Jr. gave \$700,000 to The Citadel in fiscal year 1999 and pledged an additional \$300,000 to help fund the construction of an end zone facility in the football stadium. The pledge is scheduled to be paid in equal quarterly installments over four years. The Citadel received \$75,000 in fiscal year 2002. The remaining pledge of \$75,000 is to be paid in fiscal year 2003. The gift is recorded in the unexpended plant funds of The Citadel.

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Selected Cash Receipt Items  
For the Year Ended June 30, 2002

<u>Item</u>	<u>Amount</u>
Crabhouse Challenge	\$ 7,787.05
Berkley Challenge	4,123.00
USC Gate	6,298.00
Southern Conf Tournament	5,223.07
Florida State	3,000.00
Basketball Gate	2,011.00
Basketball Gate	5,440.00
NC State Guarantee	40,000.00
USC Guarantee	30,000.00
Football Gate	21,046.00
Football Gate	9,000.00
Ga Tech Guarantee	150,000.00
Tennis Goldenboy	625.00
Old Timers Club	8,000.00
USAA	5,000.00
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	<u>\$ 297,553.12</u>

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Selected Cash Disbursement Items  
For the Year Ended June 30, 2002

<u>Item</u>	<u>Amount</u>
Anesthesia Assoc of Chas	\$ 892.80
Great American Bus of Charleston	1,920.00
Chris M Lemonis	781.94
Citadel Athletic Fund	2,439.11
Hampton Inn	2,230.01
Chris M Lemonis	4,354.95
Raymond Whiteman	4,356.00
Citadel Athletic Fund	4,234.27
Comfort Inn Riverview	1,663.20
Great American Bus of Charleston	5,424.00
Raymond Whiteman	7,244.46
P Andrew Solomon	2,533.94
Ramada Inn Coliseum	1,863.68
Chris M Lemonis	4,354.95
EMS Ventures of SC	750.00
Football	33,398.44
Fred Williams D/B/A	8,000.00
Barloworld Halding	1,319.70
Burnett Lime Co. Inc.	7,589.60
Sportsman Shop Inc.	47,043.90
Aaron Capps	750.00
Gerald Lee	750.00
Travis Stephens	750.00
Nick Johnson	750.00
	<hr/>
	<u>\$ 145,394.95</u>