

THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA
CHARLESTON, SOUTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2012

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES FOR THE COLLEGE'S
INTERCOLLEGIATE ATHLETICS PROGRAM**



**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES**

The Members of the Board of Visitors
The Citadel, The Military College of South Carolina
Charleston, South Carolina

We have performed the procedures enumerated below, which were agreed to by the Board of Visitors and management of The Citadel, The Military College of South Carolina (The Citadel), solely to assist the Citadel's management in determining compliance with NCAA Bylaw 6.2.3.1 for the year ended June 30, 2012. The Citadel is responsible for its Statement of Revenues and Expenditures of The Citadel's Intercollegiate Athletics Program for the year ended June 30, 2012. 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, 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.

The procedures we performed and the associated findings are as follows:

Procedures Related to the Statement of Revenues and Expenditures

1. We obtained the Statement of Revenues and Expenditures of the Intercollegiate Athletics Program of The Citadel (the Statement) for the year ended June 30, 2012, as prepared by management. We recalculated the mathematical accuracy of the amounts on the Statement and agreed the amounts to The Citadel's general ledger.

We found such amounts to be in agreement.

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, 2012. We compared the amount of contribution revenue confirmed in writing by The Citadel Brigadier Foundation with the amount recorded on The Citadel's general ledger for the year ended June 30, 2012.

We found that the amount per the confirmation was in agreement with the amount recorded in the general ledger.

3. We requested from management a schedule of capital asset additions of The Citadel's Intercollegiate Athletics Program, summarized by type, for the year ended June 30, 2012.

We found the amount of additions per the capital asset schedule and the general ledger to be in agreement. Refer to Notes 4 & 5 to the Statement of Revenues and Expenditures for additional information regarding capital asset additions during the year.

4. We scanned The Citadel's general ledger for individual contributions that constitute more than ten percent of the contribution revenue in the Statement of Revenues and Expenditures.

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 (TCBF).

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, 2012. We compared such revenue amount to the amount recorded in the Statement of Revenues and Expenditures.

We found such amounts to be in agreement.

6. For contribution revenue, we compared the amount per the general ledger to the corresponding amount in the Statement of Revenues and Expenditures.

We found contribution revenue reported in Attachment A and the general ledger were in agreement.

7. For guarantees revenue and expenditures, we obtained a detail schedule of the revenue and expenditures reported and compared the amounts per the detail to the corresponding amount in the Statement of Revenues and Expenditures. We compared all individual amounts in the detail to amounts on the guarantee contracts.

We found guarantee revenue and expenditures reported in Attachment A and the detail schedule total to be in agreement, and we found such amounts to be in agreement with the supporting contracts.

8. We obtained the royalties, advertisement, and sponsorships revenue detail and compared the total amount per the detail to the corresponding amount in the Statement of Revenues and Expenditures.

We found royalties, advertisement, and sponsorships revenue reported in Attachment A and the detail schedule to be in agreement.

9. We obtained a report from The Citadel detailing the direct institutional support revenue recorded by The Citadel for the year ended June 30, 2012. We recalculated the mathematical accuracy of the direct institutional support revenue amounts per the report provided by The Citadel and agreed the amounts included in the calculation to the general ledger. We compared the total direct institutional support revenue in the report provided by The Citadel to the corresponding amount in the Statement of Revenue and Expenditures.

We recalculated direct institutional support revenue reported in Attachment A and found the report to be in agreement.

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

We found students fees reported in 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 of coaching salaries and benefits and support staff/administrative salaries and benefits paid by The Citadel for the year ended June 30, 2012. From this listing, we haphazardly selected twelve employees (listed below). For these twelve employees, we compared the recorded salary and benefits to their contracts and/or personnel files. We compared the total expenditures for coaching salaries and benefits and support staff/administrative salaries and benefits paid by The Citadel per the detail listing to the corresponding amounts in the Statement of Revenues and Expenditures and the amounts recorded in The Citadel's general ledger.

Andrew J. Alden	Robert G. Hjerling
Lori A. Bonacci	Larry W. Leckonby
William A. Buddin	John McAleer
Craig L. Candeto	Enrique Rodriguez Bernal
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We found no exceptions as a result of our procedures, and we found coaching salaries and benefits expense and support staff/administrative salaries and benefits expense reported in Attachment A and the general ledger to be in agreement with the detail.

12. We requested agreements related to The Citadel's participation in revenues from broadcast, television, radio and internet rights to gain an understanding of the relevant terms and conditions.

Management represented to us that there were no broadcast, television, radio or internet rights revenue during the current year because of the contract with Daktronics discussed in Note 6 to the Statement of Revenues and Expenditures.

13. We obtained, compared and agreed revenues from a schedule of program sales, concessions, novelty sales and parking to The Citadel's general ledger and Statement of Revenues and Expenditures for the year ended June 30, 2012. We haphazardly selected a sample of ten receipts (listed below) obtained from the above schedules and agreed to supporting documentation (e.g. deposit slip, receipt summary, etc).

<u>Account No.</u>	<u>Organization No.</u>	<u>Document No.</u>	<u>Date</u>
561000	70020	F0002478	10/19/2011
561000	70020	F0002586	11/18/2011
561000	70020	F0002526	11/02/2011
561000	70030	F0002610	11/29/2011
560875	70020	F0002478	10/19/2011
560400	70011	F0002391	09/30/2011
560400	70020	F0002610	11/29/2011
560400	70020	F0002600	11/23/2011
560400	70030	F0002636	12/05/2011
560400	70030	F0002940	02/29/2012

We found amounts from the cash receipts sampled above to be in agreement with supporting documentation.

14. We requested sports camp contract(s) between The Citadel and person(s) conducting sports camps or clinics and inquired of management regarding the methodology for recording revenues from sports camps. We then summarized management's response below.

(Continued)

Per inquiry of management, The Citadel does not have contracts for sports camps. Coaches can use the facilities of The Citadel for a set rate per participant. We were provided with a copy of the rate schedule. All campers are charged \$6 per day for facilities use. Additional fees, including room and board, are charged if other services are provided to campers. No additional procedures were performed based on information provided.

15. We obtained a listing of students who received athletic student aid during the year ended June 30, 2012. We haphazardly selected a sample of five students (listed below) that received athletic student aid. For each selection, we obtained the individual student account detail and compared total aid allocated from the related approved award to the student's account.

Michael A. Hundley
Rickey L. Anderson
Ian D. Aikman

Regina J. Maxwell
David S. Orces

We found all awarded amounts to be in agreement with the aid allocated to the student's account.

16. We requested a listing of coaches employed by third parties during the year ended June 30, 2012.

Management informed us that no coaches were employed by third parties during the year ended June 30, 2012. No additional procedures were performed based on information provided.

17. We requested a listing of athletic department employees receiving severance payments from The Citadel during the year ended June 30, 2012.

Management informed us that no severance payments were paid by The Citadel during the year ended June 30, 2012. No additional procedures were performed based on information provided.

18. To determine the existence of The Citadel's recruiting expense and travel expense policies, we obtained The Citadel's policies from management.

Management provided us with The Citadel's recruiting expense and travel expense policies. The Citadel's policies can also be found on their website (www.citadel.edu).

19. We compared actual revenues and expenditures in The Citadel's Statement of Revenues and Expenditures for the year ended June 30, 2012 to the amounts for the year ended June 30, 2011. We identified actual variances of greater than ten percent and \$25,000 from the year ended June 30, 2011 amounts and obtained the following explanations from The Citadel's management regarding reasons for the variances.

Revenues:

Ticket sales – Ticket sales increased by \$86,650, or 11.2%, compared with the fiscal year ended June 30, 2011. The increase is largely attributable to an increase in attendance for football games. There were more home rivalry games in 2012 than 2011. Basketball ticket sales increased largely from one marquis home game which was a major attendance draw in 2012.

Guarantees revenue – Guarantees revenue decreased by \$129,020, or 20.7%, compared with the fiscal year ended June 30, 2011. The decrease is largely attributable to a smaller guarantee in 2012 from the marquis football game than the marquis football game in 2011. There was also one less away basketball game with guaranteed revenue in 2012 than 2011.

(Continued)

Direct institutional support – Direct institutional support revenue increased by \$462,375, or 13.8% compared with the fiscal year ended June 30, 2011. This increase is due to an increase in athletics expenditures by approximately \$625,000.

Other revenue – Other revenue decreased by \$46,013 or 21.2% compared with the fiscal year ended June 30, 2011. This decrease is due largely to lower special events rental income in 2012 than 2011. In 2011, there was a one-time lucrative rental of the McAlister Field House of \$25,000.

Expenditures:

Team Travel – Team travel decreased by \$69,394, or 10.1%, compared with fiscal year ended June 30, 2011. This decrease is largely attributable to the football team’s trip to Arizona in 2011 that did not occur in 2012.

Equipment, uniforms and supplies – Equipment, uniforms and supplies increased by \$88,831, or 15%, compared with the fiscal year ended June 30, 2011. This increase is largely attributable to new uniforms purchased for the basketball team and video equipment purchased for the baseball team in 2012.

Direct facilities, maintenance and rental – Direct facilities, maintenance and rental increased by \$44,960, or 11.1%, compared with the fiscal year ended June 30, 2011. The increase is largely attributable to an increase of overhead allocation to athletics due to higher personnel and technology costs for support departments in 2012.

Other operating expenses – Other operating expenses increased by \$80,170, or 14%, compared with the fiscal year ended June 30, 2011. This increase is largely attributable to a purchase of the CoachComm system and related implementation in 2012.

20. Twenty daily deposits from the Intercollegiate Athletic Program for the year ended June 30, 2012 were haphazardly selected from the daily receipt reports in The Citadel’s Treasurer’s office. Each of the selected daily cash receipts was compared to validated deposits slips.

<u>Account Index</u>	<u>Document No.</u>	<u>Date</u>
210050	F0001991	07/07/2011
210050	F0002045	07/20/2011
348010	F0002086	08/01/2011
348010	F0002110	08/08/2011
210330	F0002131	08/12/2011
210330	F0002203	08/24/2011
210330	F0002328	09/16/2011
210330	F0002342	09/20/2011
210330	F0002355	09/22/2011
210330	F0002449	10/12/2011
354100	F0002478	10/19/2011
210450	F0002509	10/28/2011
210330	F0002530	11/03/2011
210450	F0002550	11/09/2011
210450	F0002610	11/29/2011
210930	F0002920	02/24/2012
210530	F0002940	02/29/2012
350200	F0002954	03/06/2012
210450	F0002987	03/09/2012
210330	F0003170	04/26/2012

We found no exceptions as a result of these procedures.

21. We haphazardly selected twelve employees paid from the Intercollegiate Athletic Program for the year ended June 30, 2012. For each of these employees (listed below), we compared the disbursed amount to the authorized amount per pay period. In determining 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 the year.

Andrew J. Alden	Robert G. Hjerling
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We found the disbursed amounts to be in agreement with the authorized amounts.

22. We haphazardly selected thirty cash disbursements for the Intercollegiate Athletic Program for the year ended June 30, 2012. For each of these thirty disbursements, we compared the disbursed amount and payee information to supporting documentation (i.e. receipts, invoices and acknowledgement of receipt).

<u>Document No.</u>	<u>Date</u>
28262	11/15/2012
26172	09/16/2011
27729	10/28/2011
26800	10/03/2011
24511	08/16/2011
28782	12/06/2011
26325	09/21/2011
30672	01/26/2012
27282	10/18/2011
26953	10/06/2011
23574	07/07/2011
32103	03/06/2012
30646	01/26/2012
30397	01/19/2012
33228	04/12/2012
24332	08/08/2011
24286	08/03/2011
26149	09/16/2011
27458	10/25/2011
28454	11/22/2011
32403	03/13/2012
25069	08/25/2011
32639	03/21/2012
28077	11/08/2011
27810	11/01/2011
25194	08/29/2011
32059	03/02/2011
24136	07/25/2011
26146	09/16/2011
25202	08/29/2011

We had no findings as the result of these procedures.

23. We compared the total revenues and expenditures reported on the Statement of Revenues and Expenditures for the year ended June 30, 2012 and with the budgeted amounts for the year ended June 30, 2012.

The total revenue on the Statement of Revenues and Expenditures was \$89,011 or 0.7% less than budgeted for the fiscal year ended June 30, 2012. The total expenditures on the Statement of Revenues and Expenditures was \$188,325 or 1.5%, more than budgeted for the fiscal year ended June 30, 2012. No additional procedures were performed based on information provided.

24. 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 financial statements of identified outside organizations for the year ended June 30, 2012.

Management informed us that The Citadel Brigadier Foundation and The Citadel Football Association are the only outside organizations 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, 2012. The Citadel Football Association does not produce separate audited financial statements. No additional procedures were performed based on information provided.

25. 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.

Management informed us that no payments were made by outside organizations not under the accounting control of The Citadel or on behalf of The Citadel's Intercollegiate Athletic Program. No additional procedures were performed based on information provided.

26. We obtained from management the methodology for allocating overhead expense to the Athletic Department. We compared the Statement of Revenues and Expenditures to determine if the method disclosed was consistent with the method described to us, and we recomputed the allocation based on management's methodology.

We found the allocated overhead amounts reported in Note 1 to the Statement of Revenues and Expenditures consistent with the methodology provided to us.

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 on the effectiveness of internal control over financial reporting described in paragraph one and procedures from page 1 through 7 of this report. 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, Board of Visitors, and management of The Citadel, and is not intended to be and should not be used by anyone other than these specified parties.

Greenville, South Carolina
December 20, 2012



THE CITADEL
The Military College of South Carolina
Intercollegiate Athletics Program

Statement of Revenues and Expenditures
For the year ended June 30, 2012
Unaudited and prepared by management

	FOOTBALL	BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
Revenues:					
Ticket sales	\$ 695,537	\$ 114,935	\$ 52,154	\$ -	\$ 862,626
Student fees	1,251,501	586,117	1,239,997	2,022,630	5,100,245
Guarantees	315,980	170,000	7,000	-	492,980
Contributions	443,267	189,657	732,540	89,178	1,454,642
Direct institutional support	1,458,786	400,401	1,671,145	291,867	3,822,199
NCAA/conference distributions	12,500	51,857	960	423,823	489,140
Broadcast, television, radio and internet rights	-	-	-	-	-
Program sales, concessions, novelty sales and parking	58,272	5,231	13,116	14,867	91,486
Royalties, advertisements and sponsorships	44,500	1,145	67,713	245,381	358,739
Other revenue	27,289	69	7,057	136,817	171,232
Total operating revenue	4,307,632	1,519,412	3,791,682	3,224,563	12,843,289
Expenditures:					
Athletics student aid	\$ 2,014,538	\$ 532,372	\$ 2,647,335	\$ 258,605	\$ 5,452,850
Guarantees	50,000	10,908	11,517	-	72,425
Coaching salaries and benefits	1,005,007	470,677	995,768	-	2,471,452
Support staff/administrative salaries and benefits	-	-	-	1,624,256	1,624,256
Recruiting	128,464	92,317	57,421	-	278,202
Team travel	122,036	144,518	351,054	-	617,608
Equipment, uniforms and supplies	263,935	121,135	296,550	-	681,620
Game expenses	82,692	47,796	92,607	-	223,095
Fundraising, marketing and promotion	8,664	4,019	5,772	168,160	186,615
Direct facilities, maintenance and rental	3,986	740	10,266	433,299	448,291
Medical expenses and medical insurance	16,612	3,334	8,243	78,429	106,618
Memberships and dues	3,374	12,518	4,699	4,725	25,316
Other operating expenses	192,449	20,863	83,866	355,887	653,065
Total operating expenditures	3,891,757	1,461,197	4,565,098	2,923,361	12,841,413
Excess of revenues over (under) expenditures	\$ 415,875	\$ 58,215	\$ (773,416)	\$ 301,202	\$ 1,876

THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED AND PREPARED BY MANAGEMENT

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 Athletic Department is derived from that study. The study is obtained as part of The Citadel'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, 2012. The contribution was received from The Citadel Brigadier Foundation in the amount of \$1,100,000 and is restricted for scholarships.

3. **Direct Institutional Support**

The Citadel provided \$3,822,199 of direct institutional support to the Athletic Department in fiscal year 2012. This total was composed of transfers from auxiliaries of \$1,326,198, transfers from unrestricted gift funds of \$350,000, and waived fees of \$2,146,001.

4. **Capital Assets**

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. The Citadel follows capitalization guidelines established by the State of South Carolina. 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 the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College 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 and library materials, 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 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. Beginning in fiscal year 2012, assets will be depreciated based on the number of months the asset was in service during the fiscal year. Depreciation expense is not included in the Statement of Revenues and Expenditures.

(Continued)

The Citadel capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects; therefore, asset values in capital assets include such interest costs. There was no capitalized interest on athletics capital projects in 2012.

5. Capital Expenditures

The Citadel incurred \$46,097 of athletics capital expenditures during 2012. All capital expenditures were equipment. As all of the expenditures were capital in nature, it is not included in the Statement of Revenue and Expenditures.

6. Deferred Revenue

During fiscal year 2007 The Citadel entered into a ten year contract with Daktronics Inc. under which Daktronics agreed to provide and install certain equipment and concourse elements at Citadel athletic facilities in exchange for advertising rights at athletic events. Daktronics furnished a scoreboard system valued at \$1,700,000 in fiscal year 2007 and anticipates furnishing additional equipment in future years, including a scoreboard for the basketball arena and an electronic billboard for the football stadium. The contract with Daktronics establishes an annual revenue threshold. When advertising revenues exceed the threshold, Daktronics and The Citadel split the excess revenue equally. If athletic advertising does not meet the threshold in any year, that deficit is carried over to the next year and added to the threshold for the following year. Should a deficiency remain at the end of the ten year contractual period, the deficiency will be carried over to the next contract period if the contract with Daktronics is extended. If another contractor is chosen management anticipates that contractor will pay The Citadel the amount of the deficiency and The Citadel will pay that amount to Daktronics. Management believes that the contract is structured so that The Citadel is not required to fund any deficiency that may exist at the end of the 10 year contract period.

The Citadel treated this transaction as a sale of future revenues. The College will not maintain an active involvement in the future generation of advertising revenues. The College is amortizing the deferred revenues in a straight line fashion over the ten years of the contract period. In fiscal year 2012, \$170,000 of the deferred amount was recognized as revenue. \$170,000 of the remaining Daktronics' deferred revenue is recorded as current deferred revenue, and the remaining \$510,000 is recorded as noncurrent deferred revenue.

7. Intercollegiate Athletics Program Debt

Annual Maturities				
	2003 Athletic Facility Bonds	2005 Athletic Facility Bonds	2010 Athletic Facility Bonds	Total
2013	\$ 224,526	\$ 659,938	\$ 335,000	\$ 1,219,464
2014	233,933	687,879	360,000	1,281,812
2015	243,735	717,003	390,000	1,350,738
2016	253,948	-	425,000	678,948
2017	264,588	-	455,000	719,588
2018-2022	275,674	-	2,800,000	3,075,674
2023-2027	-	-	3,925,000	3,925,000
2028-2031	-	-	4,290,000	4,290,000
Total	\$ 1,496,404	\$ 2,064,820	\$ 12,980,000	\$ 16,541,224