

**COASTAL CAROLINA UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
CONWAY, SOUTH CAROLINA**

**Independent Accountants' Report On
Applying Agreed-Upon Procedures
June 30, 2008**

COASTAL CAROLINA UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
For the Year Ended June 30, 2008

Table of Contents

Independent Accountants' Report On Applying Agreed-Upon Procedures	1-7
Statement of Revenues and Expenditures	8
Notes to the Statement	9-10

Independent Accountants' Report On
Applying Agreed-Upon Procedures

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We have audited the financial statements of Coastal Carolina University as of and for the year ended June 30, 2008, and have issued our unqualified report thereon under date of September 23, 2008. At your request, we have also performed the procedures described below which were agreed to by the Board of Trustees and management of Coastal Carolina University, solely to assist these users in evaluating the performance of the University's Intercollegiate Athletics Program and to assist the University in complying with NCAA Bylaw 6.2.3.1 for the fiscal year ended June 30, 2008. Management is responsible for Coastal Carolina University's compliance with the requirements of NCAA Bylaw 6.2.3.1, the Intercollegiate Athletics Program's financial records, internal controls and compliance with applicable laws, rules and regulations. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we made 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 and associated findings are as follows:

Procedures Related to the Statement of Revenues and Expenditures

1. We obtained the Statement of Revenues and Expenditures of Coastal Carolina University Intercollegiate Athletics Program for the year ended June 30, 2008, as prepared by accounting management of the University and shown on page 8 in this report. We recalculated the addition of the amounts on the statement, traced the individual line item amounts from the Statement of Revenues and Expenditures to management's worksheets and compared the amounts on management's worksheets to the 10 and 15 fund accounts in the University's general ledger.

Differences between the Statement of Revenues and Expenditures and Coastal Carolina University's general ledger have occurred as a result of management's corrective action for procedure number 2 shown below. The University's general ledger was closed-out prior to the identification of certain additional expenditures made by the Chanticleer Club.

University Response: In order to correctly report operating revenue and expenditures, the Athletics Statement of Revenue and Expenditures was updated to reflect the reconciliation of Chanticleer Club University Support expenditures to University revenue from the Chanticleer Club with items which were not recorded on the University general ledger.

2. We obtained from accounting management a list of all outside organizations that have as its principal purpose 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. We then confirmed the amounts received from these outside organizations directly with the responsible official of these organizations. We compared the amount per the confirmation with the amount recorded in the Athletic Department's general ledger and on the Statement of Revenues and Expenditures.

We read the audited financial statements for the Coastal Carolina Chanticleer Club and compared the contribution total to the balance shown on management's Intercollegiate Athletics Program Statement of Revenues and Expenditures report. We noted a \$82,575 difference. Management has determined that certain expenses (e.g. vehicle expense, vehicle insurance, supplies, etc.) have not been recorded by the University.

University Response: Due to staff turnover in 2007-08, both in Athletics and in Financial Services, certain items were paid directly by the Chanticleer Club which should have first been paid by the University and then reimbursed by the Chanticleer Club. In addition, payments made on behalf of the University by the Chanticleer Club were not totally reconciled with the University's report of Chanticleer Club revenue as had happened in past years. Procedures were implemented in the late fall of 2007 to reinstate a limitation on payments made directly by the Chanticleer Club on behalf of the University. In addition, procedures have been implemented for the closing of 2008-09 which will reconcile the Chanticleer Club expense and University revenue amounts.

There was also a misunderstanding concerning endowed scholarship funds. The Chanticleer Club had earlier in the year drawn down the current year funding for athletic endowed scholarships from the Coastal Educational Foundation. Knowing this, the University invoiced the Chanticleer Club for these funds, and accounted for this as Chanticleer Club revenue. However, the Club had accounted for these funds as pass-through items from the Foundation and did not include them as Foundation revenue or University support expenditures. To avoid this confusion in the future, the University will draw the endowed scholarship funds directly from the Foundation.

In summary, after examining the reconciling items, the University added expenses of \$37,428 to its Statement of Revenue and Expenditures and added \$24,378 revenue from the Chanticleer Club and \$13,050 revenue from the Coastal Educational Foundation.

The remaining items listed as University support by the Chanticleer Club but not included on the University's Athletic statements as Chanticleer Club revenue (after reclassification of the Foundation revenue) amounted to \$58,197. The majority of this amount was a capital expense related to installing artificial turf on the baseball field. This was part of an amount eventually capitalized in fiscal year 2008 by the Coastal Educational Foundation, which owns the land. Since the University's Athletics statements do not include capital expenditures, it was not appropriate to include these expenditures.

3. We scanned the Intercollegiate Athletics Program contributions revenue account detail to identify each individual contribution received directly that constitutes more than ten percent of all contributions received for intercollegiate athletics. For these recorded receipts, we obtained and read correspondence from the donor to determine the receipts were classified in accordance with NCAA guidelines, to identify those received from independent outside sources and to determine that the source and value of each such contribution is disclosed in a footnote to the statement.

Based upon our testing we determined that In-Kind contributions for the use of vehicles, insurance and other costs had not been recorded on the University's books. Accounting management has adjusted the Statement of Revenues and Expenditures to include \$37,428 in revenues and expenditures.

University Response: Please see the response for item 2.

4. We asked accounting management to describe the basis for allocating student athletic fees to athletics and obtained from management the reconciliation of total student fees revenue. We obtained the University's general ledger detail from management and compared the total with the amount of Student Activity Fee revenue recorded in the general ledger and on the Statement of Revenues and Expenditures.

We found no exceptions as a result of this procedure.

5. We obtained all daily cash receipts reports for the Intercollegiate Athletics Program prepared by various program representatives. We then selected a sample and recalculated the reports, compared the amount on the department deposit receipt with the amount on the Bursar's office deposit transmittal, and compared the amount recorded on the Bursar's office deposit transmittal to the amount recorded in the University's general ledger accounts for the Intercollegiate Athletics Program.

Receipt	Date	Amount
244633	7/5/2007	\$ 400.20
252271	8/28/2007	1,750.00
255525	9/27/2007	848.00
259726	11/26/2007	178.41
267065	1/17/2008	202.66
272894	3/14/2008	5,000.00
274003	4/1/2008	1,000.00
278263	5/9/2008	782.25
281879	6/18/2008	108.00

We found no exceptions as a result of this procedure.

6. We obtained and read copies of the game guarantee contracts. We recalculated the total amount of the contracts, and compared this amount with the amount recorded as Guarantee revenue on the Statement of Revenues and Expenditures. We also compared expenditures per the contracts to expenditures recorded in the program's accounts in the general ledger.

We found no exceptions as a result of this procedure.

7. We obtained a schedule of athletics department salaries from athletic management. We compared the amounts listed on the schedule to amounts recorded in the general ledger and on the Statement of Revenues and Expenditures. We calculated the related fringe expenditures using Coastal's fringe benefit rate and compared the amounts calculated with the reported expenditures in the appropriate general ledger accounts.

We found no exceptions as a result of this procedure.

8. We obtained from accounting management the general ledger activity for all cash receipts related to intercollegiate athletics. We selected a sample of individual receipts and compared the recorded cash receipt amount to the amount on the Bursar's office deposit transmittal reports prepared by the athletic department and submitted along with the cash to the Bursar's office.

Name	Receipt #	Date	Amount
Lsbaseball Regional	245354	7/17/2007	107,395.00
Ken Faircloth	246243	7/31/2007	12,180.00
Gs Entry Fees	256020	10/2/2007	21,000.00
Smcclellan	257723	10/22/2007	9,570.00
Lb24027	258915	11/2/2007	25,112.03
Chick Fil A	259781	11/26/2007	4,000.00
Lb 24086 Ca M. Hyman	260676	12/11/2007	3,650.00
Logan's Roadhouse	272131	3/10/2008	15,000.00
K. Faircloth	275563	4/18/2008	11,256.00
Lauren Baker	280032	5/29/2008	5,824.50
Lh 29429	282703	6/30/2008	24,995.00

We found no exceptions as a result of this procedure.

9. We asked athletic management to describe specific elements of the University's internal control unique to the Intercollegiate Athletics Program's accounting system and financial reporting.

We found no exceptions as a result of this procedure.

10. We obtained from athletic management a listing of Athletics events for the year and from this list we selected a sample of events. For the events that have ticket sales, we compared the number of tickets sold per the general ledger with the amount of tickets sold per the ticket report. We recalculated the mathematical accuracy of the amount of ticket sales revenue by multiplying the number of tickets sold, per the ticket sales report, by the individual ticket price. We obtained and read the correspondence accompanying any concession revenue commission checks received. We compared the amount on the accompanying correspondence with the amount recorded in the general ledger.

Event	Date
Football vs. Winston-Salem	9/10/2007
Football vs. Chowan	10/16/2007
Football vs. Gardner-Webb	11/13/2007
Baseball vs. Marshall	2/29/2008
Baseball vs. Albany	3/22/2008
Baseball vs. Citadel	4/30/2008
Women's Basketball vs. Wofford	11/11/2007
Women's Basketball vs. North Carolina	12/17/2007
Women's Basketball vs. Liberty	1/21/2008
Men's Basketball vs. Campbell	11/13/2007
Men's Basketball vs. Winthrop	2/6/2008
Men's Basketball vs. High Point	2/18/2008

We noted a lack of segregation of duties between the cash handling and record keeping functions. The Sales Manager controls the ticket software, records and reconciles cash, and makes deposits. Cashiers are used to receive the bulk of cash from ticket sales, however the Sales Manager can receive and receipt cash if a cashier is not present at the time of the transaction.

The basketball and football game sales recorded by the ticketing software were \$3,604 and \$7,910 less respectively than sales recorded on the University's general ledger.

University Response: Certain control procedures were implemented in fiscal year 08-09 to compensate for the lack of segregation of duties present in a two person office. A staff member outside the Ticket Office reconciles football game deposits to ticket software by game, and baseball and basketball deposits by season. All of the types of complementary tickets have been identified and procedures have been adopted for the redemption of those tickets.

In addition, following turnover in staff in the fall of 2008, the assistant ticket manager's position has been upgraded and that staff member is being cross-trained in procedures to set up events and generate reports from the ticket software. This will provide back up in case of illness or emergency and will give an additional staff member the ability to run independent reports for reconciliation purposes. An information technology audit of the ticket office related to internal control and emergency procedures was also begun in the fall of 2008 and is still in process.

The additional funds deposited in excess of the ticket software reports are considered to be reasonable amounts of revenue generated by sale of team complementary tickets and student section tickets not redeemed at basketball games and student guest ticket sales at football games. Due to the nature of these ticket sales and staffing limitations, they are not currently captured by the ticketing software.

11. We selected a sample of recorded expenditures for contractual services, travel, uniforms, financial aid and equipment and supplies from the general ledger. We compared the classification of the selected expenditures in the statement to the classifications permitted by NCAA Guidelines as stated by the NCAA Audit Legislation. For the selected expenditures we obtained the related disbursement package to determine the items required by Coastal's procurement policy were included and that the expenditure had been authorized in accordance with the University's policy.

Name	Voucher	Date	Amount
Power Systems	pc012708	3/12/2008	1,911.78
Radisson Hotels	pc012078	3/12/2008	778.18
Embassy Suites	pc022708	5/2/2008	3,318.81
US Airways	pc022708	5/2/2008	2,000.00
Prestwick Country Club	pc022708	5/2/2008	1,675.00
Lowe's	pc022708	5/2/2008	215.32
Fromuth Tennis	pc032708	5/5/2008	558.30
Medco Supply	pc072707	8/28/2007	12,335.69
B&H Photo-Video	pc082707	10/5/2007	2,375.65
Charleys Steakery	pc092707	11/19/2007	18.14
Ashely Furniture	pc122707	2/8/2008	2,309.06
Mark Kost	v0336956	7/1/2007	1,500.00
Mkhokheli Dube	v0338980	7/23/2007	668.00
Tidewater Golf & Events	v0340350	8/17/2007	11,943.83
Bank of America	v0340510	8/21/2007	1,024.22
Bob McCloskey Insurance	v0341120	8/29/2007	25,000.00
Chanticleer Club	v0346760	9/26/2007	45,203.00
Myrtle Beach Trips	v0348459	10/16/2007	29,474.47
Gotta Go	v0353154	12/13/2007	8,970.00
James Tolbert	v0362196	2/29/2008	10,000.00
Coach Comm	v0369299	5/16/2008	50,000.00

- 1) A receiving report, confirming receipt of \$12,335.69 in medical supply purchases for the football team, was not included in the supporting documentation for this purchase card transaction.
- 2) A procurement card was used to pay a hotel invoice for meals totaling \$778.18; the supporting invoice only referenced the restaurant. Documentation supporting the number of meals, identifying the diners and the business purpose was not attached.
- 3) A procurement card was used to purchase meals totaling \$18.14. Documentation of the business purpose has been assumed but not documented and the diners were not identified.

University Response:

- 1) Current University policy governing use of the procurement card does not require that a receiving report be included in documentation of purchases. The University will weigh the risks against the benefits to decide whether to amend the current policy.
- 2) These purchases by the men's basketball team were for three meals which were part of a team travel event to High Point University. This was the documented business purpose on an accompanying athletic department expense justification report. The hotel did not include a breakout of the number of meals and the price per meal. Since that time, the University has enforced a policy of only paying for meals with itemized receipts.
- 3) This purchase was for several women's golf student-athletes on a documented team travel event. The University will work on policy to address the identification of diners on every receipt.

12. We obtained from accounting management a listing of all expenditures made directly by the respective outside organizations on behalf of the University's Intercollegiate Athletics Program or employees to determine if they were included as revenues and expenditures on the University's Intercollegiate Athletics Program's accounting records and the Program's statement of Revenues and Expenditures. We compared the amounts on this list with the amounts recorded on management's worksheets.

We found no exceptions as a result of this procedure.

13. We requested a listing of all marketing contracts made by Athletics for commercials, scoreboard ads, etc. We judgmentally selected a sample to trace contracted amounts to the general ledger.

We noted that one individual is responsible for entering the contracts into the computer system, sending out billings to the clients, receiving payment and recording payment. Management believes that the Marketing Director's oversight of the billing records provides some compensating controls for the program.

We were not engaged to, and did not conduct an audit the objective of which would be the expression of an opinion on compliance with NCAA Bylaw 6.2.3.1 or the expression of an opinion on The Statement of Revenues and Expenditures of the Intercollegiate Athletics Program of Coastal Carolina University for the year ended June 30, 2008 and, furthermore, we were not engaged to express an opinion on the effectiveness of the internal controls over compliance with the laws, rules and regulations described in paragraph one and procedures one through twelve of this report. 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 Board of Trustees and management of Coastal Carolina University and is not intended to be and should not be used by anyone other than these specified parties.

Clin Brantley & Co. PA

January 9, 2009

Coastal Carolina University
Intercollegiate Athletics Program
Statement of Revenues and Expenses
For the Year Ended June 30, 2008

	Football	Baseball	Men's Basketball	Women's Basketball	Men's Soccer	Women's Soccer	Other Sports	Non-Sport Specific	Total
Operating Revenues:									
Ticket Sales	\$ 355,488	\$ 28,004	\$ 23,055	\$ 16,753	\$ 0	\$ 0	\$ 0	\$ 0	\$ 423,300
Student Activity Fees	694,558	221,955	238,944	141,084	86,108	97,408	651,758	780,570	2,912,385
Guarantees	50,000	10,000	110,000	500	0	0	0	0	170,500
Chanticleer Club Contributions	98,672	68,376	39,692	8,055	5,037	43,669	49,804	60,394	373,699
Inkind Gifts	0	1,645	0	0	0	0	292,520	0	294,165
Coastal Educational Foundation Contributions	0	5,850	0	0	0	0	8,000	0	13,850
Direct institutional support	2,374,607	677,993	773,422	565,576	363,563	388,494	2,466,164	1,560,536	9,170,355
Indirect Facilities and Administrative Support	576,227	164,984	251,341	116,182	62,944	56,005	397,120	944,203	2,569,006
NCAA Program for Academic Enhancement	0	0	0	0	0	0	0	60,800	60,800
NCAA Distributions	0	31,630	0	0	0	0	1,732	507,585	540,947
Big South Distributions	0	0	0	0	0	0	0	70,413	70,413
Program and Novelty Sales/Concessions	0	0	0	0	0	0	0	33,858	33,858
Sponsorships/Royalties	25,900	8,300	0	0	0	0	1,000	396,191	431,391
Sport Camp Field Rentals	0	0	0	0	0	0	0	8,241	8,241
Tournament revenue, entry fees	0	115,583	0	0	0	0	51,131	0	166,714
Total Revenues	\$ 4,175,452	\$ 1,334,320	\$ 1,436,454	\$ 848,150	\$ 517,652	\$ 585,576	\$ 3,919,229	\$ 4,422,791	\$ 17,239,624
Expenditures:									
Scholarships	\$ 1,501,109	\$ 302,637	\$ 376,154	\$ 346,569	\$ 241,539	\$ 282,432	\$ 1,669,648	\$ 29,126	\$ 4,749,214
Guarantees	15,000	18,120	14,760	9,318	8,174	0	100	0	65,472
Coaching Salaries and Fringe Benefits	1,044,956	311,623	452,890	218,373	127,934	113,832	783,655	0	3,053,263
Administrative Salaries and Fringe Benefits	126,238	23,711	57,966	17,770	0	0	23,499	1,919,112	2,168,296
Recruiting	53,103	34,708	57,644	17,561	15,278	13,872	82,893	0	275,059
Team Travel	210,373	112,316	117,489	47,491	28,841	74,708	364,309	0	955,527
Equipment, Uniforms and Supplies	286,489	50,197	14,493	31,513	16,935	33,663	143,425	0	576,715
Game Expenses	123,524	45,194	30,663	26,747	8,449	3,626	44,662	65	282,930
Marketing and Promotions	0	0	0	0	0	0	0	123,566	123,566
Direct Facilities Maintenance and Rental	110,431	109,405	29,306	8,057	142	5,250	334,016	56,538	653,145
Spirit Groups	0	0	0	0	0	0	0	230,631	230,631
Indirect Facilities and Administrative Cost	576,227	164,984	251,341	116,182	62,944	56,005	397,120	944,203	2,569,006
Medical Expenses and Insurance	0	0	0	0	0	0	25	170,645	170,670
Memberships and Dues	855	33	0	290	565	455	3,395	29,539	35,132
Other Operating Expenses	127,147	16,260	32,839	8,279	6,851	1,733	43,008	590,284	826,401
Visiting Team / Tournament Expenses	0	145,132	909	0	0	0	29,474	0	175,515
Total Expenditures	\$ 4,175,452	\$ 1,334,320	\$ 1,436,454	\$ 848,150	\$ 517,652	\$ 585,576	\$ 3,919,229	\$ 4,093,709	\$ 16,910,542
Excess (Deficiency) of Operating Revenues Over (Under) Expenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 329,082	\$ 329,082

COASTAL CAROLINA UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
Notes to the Statement of Revenues and Expenditures
June 30, 2008
(Unaudited)

NOTE 1-CONTRIBUTIONS

Contributions and gifts to Coastal Carolina University's Intercollegiate Athletics Program totaled \$681,714. This amount is reported in Attachment A at the following captions:

Chanticleer Club Contributions	\$	373,699
In-kind Gifts		294,165
Coastal Education Foundation		13,850
	\$	<u>681,714</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	\$	373,699
Fife Golf Management, LLC		168,520
Grande Dunes Golf Resort		122,560

NOTE 2-NET 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. Coastal Carolina University 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 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 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. The total estimated book value of plant and equipment, net of depreciation, for Athletics is \$14,276,366 compared to the institution total of \$90,646,422.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The University has selected a useful life of 25 to 50 years for buildings, renovations and land improvements. The useful life for machinery, equipment and vehicles varies between 2 and 25 years depending on the asset. 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.

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period. During the year ended June 30, 2008, there were no material capitalized interest costs incurred.

<u>Athletic Facilities</u>	<u>Football</u>	<u>Basketball</u>	<u>Soccer</u>	<u>Other</u>	<u>Total</u>
Additions	24,411	18,586	142,645	110,095	295,737
Deletions	-	-	-	-	-

COASTAL CAROLINA UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
Notes to the Statement of Revenues and Expenditures
June 30, 2008
(Unaudited)

NOTE 3-INTERCOLLEGIATE ATHLETICS DEBT

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance June 30, 2008</u>
State Institution Obligation Bonds Related to Athletics Facilities			
2003	3.25% to 4.625%	9/1/2022	
2006	4.25% to 6.00%	10/1/2026	
			<u>\$ 8,863,281</u>

Maturities of debt related to intercollegiate athletics at June 30, 2008 were as follows:

<u>Due in Fiscal</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2009	\$ 314,730	375,238	\$ 689,968
2010	326,835	360,136	686,971
2011	338,940	344,521	683,461
2012	353,466	327,852	681,318
2013	367,992	310,905	678,897
2014-2018	2,074,797	1,304,565	3,379,362
2019-2023	2,568,681	820,871	3,389,552
2024-2027	2,517,840	219,824	2,737,664
	<u>\$ 8,863,281</u>	<u>4,063,912</u>	<u>\$ 12,927,193</u>

Athletically related debt service and total debt year ended June 30, 2008.

	<u>Athletically Related</u>	<u>University Total</u>
Total Annual Debt Service	<u>\$ 735,645</u>	<u>\$ 3,481,216</u>
Total Debt Outstanding:		
Institution Bonds	8,863,281	18,305,000
Revenue Bonds	-	23,375,000
	<u>8,863,281</u>	<u>41,680,000</u>