

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

**Year Ended June 30, 2006**

*State of South Carolina*



*Office of the State Auditor*

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November 6, 2006

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, 2006, 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,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/trb

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

**Table of Contents**

Independent Accountant's Report on Applying Agreed Upon Procedures	2
Coastal Carolina University Athletic Department Statement of Revenues and Expenses (Unaudited)	7
Notes to Statement of Revenues and Expenses	8
Independent Accountant's Comments	11

**WALDA WILDMAN, LLC**  
CERTIFIED PUBLIC ACCOUNTANT

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

October 25, 2006

Mr. Richard H. Gilbert, Jr., CPA  
Deputy State Auditor  
Office of the 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, 2006. 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, 2006, 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 no exceptions as a result of these procedures.
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 no exceptions as a result of these procedures.
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 6.2% of the aggregate total of recorded receipts. I found no exceptions as a result of the procedures.

b. I selected a discretionary sample of 25 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 .0064% 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. I compared ticket revenues for the current year to management's ticket revenue worksheets. I compared current year ticket revenues to prior year revenues and inquired about any significant differences. I found no exceptions as a result of these procedures.

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 2006. 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, 2006.

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, 2006.

13. I recalculated revenues for football program sales and agreed the result to the amount of program sales reported in the University's accounting records. I found no exceptions as a result of my procedure

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

a. I found that 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.

b. I found that inventory 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 all athletics related parking revenue is received by the Chanticleer Club which allocates parking spaces based on the size of contributions.

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, 2006.

**Expenses:**

17. I selected a discretionary sample of 15 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 8.06% 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 2006. 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 of 10, 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 31.25% 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 13.2% 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 four coaches who received income from third parties for participation in sports camps, speaking engagements and television appearances. I found that these amounts are not recorded in the University's accounting records because it is not the University's policy to do so.

22. I inquired about athletics department employees who received severance payments from the University during the year. I was told that there were no such employees for the year ended June 30, 2006.

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, 2006 and have issued my unqualified report thereon dated September 13, 2006. 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 no management letter related to my audit referred to in step 29.

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.

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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*

WALDA WILDMAN, LLC  
Certified Public Accountant



**COASTAL CAROLINA UNIVERSITY ATHLETIC DEPARTMENT**  
**STATEMENT OF REVENUES AND EXPENSES (UNAUDITED)**  
**Year Ended June 30, 2006**

	Football	Baseball	Men's Basketball	Men's Soccer	Women's Basketball	Other Sports	Non-Sport Specific	Total
<b>Operating Revenues:</b>								
Student Activity Fees	\$ 1,199,127	\$ 340,379	\$ 470,811	\$ 217,609	\$ 82,881	\$ 472,015	\$ ,513,624	\$ 5,496,445
Direct institutional support	708,706	263,223	297,767	224,498	289,243	1,414,337	3,773	3,201,547
Guarantees	50,000	-	120,000	-	8,000	400	-	178,400
Chanticleer Club Contributions	94,208	66,592	50,455	11,649	8,270	36,225	379,389	646,788
NCAA Program for Academic Enhancement	-	-	-	-	-	-	55,954	55,954
NCAA Distributions/Tournament Revenues	-	19,450	-	8,955	-	23,970	270,554	322,929
Big South Distributions	-	-	-	-	-	-	49,004	49,004
Sponsorships/Royalties	2,400	-	-	-	-	1,000	315,312	318,712
Sport Camp Field Rentals	-	-	-	-	-	-	23,778	23,778
Ticket Sales	273,000	18,142	22,017	840	9,752	940	-	324,691
Program and Novelty Sales/Concessions	4,871	3,178	-	325	127	15,683	56,939	81,123
Indirect Facilities and Administrative Support	381,908	107,246	170,696	59,217	81,723	326,034	727,397	1,854,221
Inkind Gifts	-	-	-	-	-	368,049	137,284	505,333
<b>Total Revenues</b>	<b>2,714,221</b>	<b>818,210</b>	<b>1,131,745</b>	<b>523,092</b>	<b>679,995</b>	<b>3,658,654</b>	<b>3,533,008</b>	<b>13,058,924</b>
<b>Expenditures:</b>								
Scholarships	1,113,354	287,793	316,331	261,541	305,836	1,648,744	-	3,933,599
Guarantees	60,000	15,631	14,174	7,760	6,500	8,332	-	112,397
Coaching Salaries and Fringe Benefits	683,658	215,329	317,924	120,360	152,582	636,891	-	2,126,743
Severance Payments	-	-	-	-	-	-	-	-
Administrative Salaries and Fringe Benefits	92,577	2,651	29,019	-	13,522	25,780	1,478,449	1,641,999
Recruiting	39,930	28,420	44,123	7,534	13,375	62,682	-	196,064
Team Travel	77,414	48,720	116,621	35,935	33,230	316,056	-	627,976
Equipment, Uniforms and Supplies	183,117	46,303	34,708	13,628	34,589	159,762	299,601	771,708
Game Day Expenses	17,344	13,200	22,125	6,344	18,282	23,413	225	100,933
Indirect Facilities and Administrative Cost	381,908	107,246	170,696	59,217	81,723	326,034	727,397	1,854,221
Equipment Rentals and Leases	37,265	15,282	20,324	-	7,571	-	48,021	128,463
Direct Facilities Maintenance	3,264	1,389	3,625	391	221	16,951	40,925	66,766
Spirit Groups	-	-	-	-	-	-	275,658	275,658
Medical Expenses and Insurance	-	-	-	-	-	-	142,787	142,787
Broadcasting Services	-	-	-	-	-	-	26,532	26,532
Other Operating Expenses	2,759	9,192	1,825	2,770	164	377,674	157,336	551,720
Athletics Merchandise	-	-	-	-	-	-	32,266	32,266
Memberships and Dues	2,080	-	2,775	-	448	4,681	22,168	32,152
Administrative Expenses	930	10,629	23,810	2,617	10,434	12,539	120,138	181,097
Administrative Travel	16,765	699	6,645	3,662	328	17,382	29,628	75,109
Printing and Advertising	1,856	1,872	2,006	1,333	290	1,784	130,198	139,339
Visiting Team / Tournament Expenses	-	13,854	5,014	-	900	19,949	1,680	41,397
<b>Total Expenditures</b>	<b>2,714,221</b>	<b>818,210</b>	<b>1,131,745</b>	<b>523,092</b>	<b>679,995</b>	<b>3,658,654</b>	<b>3,533,008</b>	<b>13,058,924</b>
<b>Excess (Deficiency) of Operating Revenues</b>								
<b>Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**COASTAL CAROLINA UNIVERSITY ATHLETIC DEPARTMENT  
NOTES TO STATEMENT OF REVENUES AND EXPENSES  
Year Ended June 30, 2006**

**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, 2006 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, 2006 were as follows:

		Football Athletics Facilities			Basketball Athletics Facilities			Other Athletics Facilities			Total Athletics Facilities
Current year additions	\$	-	\$	-	\$		59,959	\$		59,959	
Current year deletions	\$	-	\$	-	\$		-	\$		-	
									Athletically Related	Institution's Total	
Total estimated book value of plant and equipment net of depreciation									\$ 13,866,877	\$ 90,052,295	

All University athletics facilities are under its direct control.

**NOTE 3. DEBT RELATED TO INTERCOLLEGIATE ATHLETICS**

At June 30, 2006, debt related to intercollegiate athletics was as follows:

**COASTAL CAROLINA UNIVERSITY ATHLETIC DEPARTMENT  
NOTES TO STATEMENT OF REVENUES AND EXPENSES  
Year Ended June 30, 2006**

	Interest Rates	Maturity Dates	Balance June 30, 2006
State Institution General Obligation Bonds			
Related to Athletics Facilities	3.25% to 4.625%	9/1/2022	\$ 4,999,050

Maturities of debt related to intercollegiate athletics at June 30, 2006 were as follows:

Due in fiscal	Principal	Interest	Payments
2007	\$189,000	\$329,439	\$518,439
2008	198,450	195,262	393,712
2009	211,050	188,344	399,394
2010	220,500	180,791	401,291
2011	233,100	172,853	405,953
2012-2016	1,357,650	713,900	2,071,550
2017-2021	1,751,400	393,805	2,145,205
2022-2026	837,900	38,934	876,834
	\$4,999,050	\$2,213,328	\$7,212,378

For the year ended June 30, 2006, 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	\$ 390,558	\$ 2,723,230
Total debt outstanding	\$ 4,999,050	\$ 32,535,000

**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, 2006 is as follows:

	Coastal Carolina Booster Club Inc.
Revenues:	
Contributions	\$ 2,025,221
Investment income	6,827
Fundraising events	177,347
Total	\$ 2,209,395
Expenses:	
Support of Coastal Carolina University Athletics Program, including contributions capitalized by the University	\$ 763,238

**COASTAL CAROLINA UNIVERSITY ATHLETIC DEPARTMENT**  
**NOTES TO STATEMENT OF REVENUES AND EXPENSES**  
**Year Ended June 30, 2006**

**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	\$ 646,788
In-kind gifts	<u>505,333</u>
	<u>\$ 1,152,121</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	\$ 646,788
Fife Golf Management, LLC	\$ 288,600

**COASTAL CAROLINA UNIVERSITY  
INDEPENDENT ACCOUNTANT'S COMMENTS  
Year Ended June 30, 2006**

**CURRENT YEAR COMMENTS**

During the performance of my agreed upon procedures for the year ended June 30, 2006, I noted that management took no action to institute controls over revenue from the sale athletic merchandise and novelties. Specifically, I found that no record is maintained of merchandise taken for sale at games in order to verify that subsequent bank deposits are complete.

Also, I found that there is no record of items coaches give away. I recommend that management implement controls over merchandise and periodically monitor those controls for effectiveness.

I once again recommend that management consider conforming its chart of accounts to facilitate NCAA reporting and budgeting.

**FOLLOW UP ON PRIOR YEAR COMMENTS**

During the prior year I found that the University's financial reporting system is not set up to accommodate the increased complexity of the report which the NCAA began requiring last year. 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. I recommended that the University consider using the income and expense categories specified by the NCAA and developing comprehensive athletic department budgets. The University has taken no action on this recommendation.

During the prior year, I also recommended that, the University should institute controls over revenue from the sale of football programs and novelties. The University has taken no action on this recommendation.