

**The Citadel
The Military College of South Carolina
Charleston, South Carolina**

***Independent Accountant's Report on Applying
Agreed-Upon Procedures for the College's
Intercollegiate Athletics Program***

For the year ended June 30, 2014



**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 the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.16 for the year ended June 30, 2014. The Citadel is responsible for its Statement of Revenues and Expenditures of The Citadel's Intercollegiate Athletics Program (the "Statement") for the year ended June 30, 2014. 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:

1. We obtained the Statement for the year ended June 30, 2014, 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, 2014. We compared the amount of contribution revenue confirmed in writing by The Citadel Brigadier Foundation ("TCBF") with the amount recorded for the year ended June 30, 2014.

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, 2014.

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 for additional information regarding capital asset additions during the year.

4. We scanned a detailed schedule of contributions for individual contributions that constituted more than ten percent of the contribution revenue in the Statement.

We found one individual contribution that constituted more than ten percent of the contribution revenue included in Attachment A. The contribution was from 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, 2014. We compared such revenue amount to the amount recorded in the Statement.

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.

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. 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 a schedule of royalties, advertisement, and sponsorships revenue and compared the total amount per the detail to the corresponding amount in the Statement.

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, 2014. 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.

We recalculated direct institutional support revenue reported in Attachment A and found the calculation to be in agreement with the general ledger.

10. We compared the amount of student fees reported on the Statement 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. 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, 2014. 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 and the amounts recorded in The Citadel's general ledger.

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.

13. We obtained, compared and agreed revenues from a detailed schedule of program sales, concessions, novelty sales and parking to The Citadel's general ledger and the Statement for the year ended June 30, 2014. We haphazardly selected a sample of ten receipts (listed below) from the detailed schedule 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>
560400	70011	F0006026	06/26/2014
560400	70030	F0005709	02/20/2014
560400	70030	F0005622	01/14/2014
560400	70070	F0005417	10/29/2013
560400	70020	F0005280	09/12/2013
560875	70020	F0005489	11/20/2013
561000	70040	J0013445	05/20/2014
561000	70040	F0005817	04/02/2014
561000	70040	F0005750	03/07/2014
561000	70020	F0005466	11/13/2013

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.

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, 2014. We haphazardly selected a sample of five students 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.

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, 2014.

Management informed us that no coaches were employed by third parties during the year ended June 30, 2014. 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, 2014.

Management informed us that no severance payments were paid by The Citadel during the year ended June 30, 2014. 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 Statement for the year ended June 30, 2014 to the amounts for the year ended June 30, 2013. We identified actual variances of greater than ten percent and \$25,000 from the year ended June 30, 2013 amounts and obtained the following explanations from The Citadel's management regarding reasons for the variances. We performed no additional procedures related to management's responses.

Revenues:

Ticket sales – Ticket sales increased by \$103,716 or 14%, compared with the fiscal year ended June 30, 2013. The increase is largely due to increased attendance for football games in addition to one additional home game.

Guarantees – Guarantees increased by \$279,680 or 49%, compared with the fiscal year ended June 30, 2013. The increase is primarily due to football game guarantees received from Clemson and Old Dominion University in 2014 compared to one guarantee in 2013 from NC State. Further, Basketball received additional guarantees in 2014 versus 2013.

Contributions – Contributions increased \$195,727 or 12%, compared to the fiscal year ended June 30, 2013. The variance is primarily due to increased contributions for football, women's soccer, golf and tennis offset by declining contributions for non-program specific and women's track.

Royalties, advertisements and sponsorships – Royalties, advertisements and sponsorships increased \$39,848 or 11%, compared to the fiscal year ended June 30, 2013. The variance is primarily due to non-program specific revenues from the receipt of a NCAA supplemental distribution.

Other revenue – Other revenue increased \$84,600 or 45%, compared to the fiscal year ended June 30, 2013. The variance is primarily due to Football and non-program specific. Football received additional scholarship funding, locker room renovation funding and a contractually required signing bonus due back to the Citadel for non-performance of contract terms.

Expenditures:

Direct facilities, maintenance and rental – Direct facilities decreased \$63,063 or 14%, compared with fiscal year ended June 30, 2013. This decrease is primarily due to a decrease in overhead charged to non-program specific offset by an increase in utilities and repairs.

Equipment, uniforms and supplies – Equipment, uniforms and supplies increased \$170,079, or 31%, compared with the fiscal year ended June 30, 2013. The increase is primarily due to increases in food costs and athletic supplies.

Other operating expenses – Other operating expenses increased by \$204,417 or 35%, compared to the fiscal year ended June 30, 2013. The increase is primarily related to an increase in contractual services, office supplies and bank fees.

20. Twenty daily deposits from the Intercollegiate Athletic Program for the year ended June 30, 2014 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	F0005089	07/11/2013
210330	F0005262	09/06/2013
210330	F0005272	09/10/2013
210050	F0005299	09/19/2013
210290	F0005302	09/20/2013
210260	F0005309	09/24/2013
210050	F0005390	10/17/2013
210330	F0005397	10/21/2013
210730	F0005397	10/21/2013
210730	F0005397	10/21/2013
210050	F0005466	11/13/2013
210330	F0005489	11/20/2013
210330	F0005501	11/25/2013
210930	F0005577	12/19/2013
210450	F0005602	01/07/2014
210260	F0005610	01/09/2014
210260	F0005706	02/19/2014
210050	F0005766	03/13/2014
210530	F0005792	03/25/2014
210850	F0005851	04/15/2014

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, 2014. For each of these employees, 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 provided by management by the number of pay periods in the year.

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, 2014. 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>
I0044826	07/16/2013
I0044982	07/23/2013
I0044947	07/31/2013
I0046346	09/10/2013
I0046697	09/19/2013
I0046711	09/20/2013
I0046861	09/24/2013
I0046947	10/01/2013
I0047286	10/08/2013
I0047468	10/14/2013
I0047660	10/17/2013
I0048127	10/31/2013
I0048296	11/05/2013
I0048372	11/06/2013
I0048407	11/06/2013
I0048448	11/07/2013
I0048771	11/18/2013
I0050062	01/09/2014
I0050248	01/16/2014
I0050192	01/21/2014
I0051229	02/18/2014
I0051311	02/19/2014
I0051737	03/07/2014
I0051933	02/27/2014
I0052305	03/17/2014
I0052389	03/19/2014
I0052593	03/25/2014
I0053622	04/25/2014
I0053929	05/05/2014
I0049894	01/07/2014

We had no findings as the result of these procedures.

23. We compared the total revenues and expenditures of the Athletic fund for the year ended June 30, 2014 with the budgeted amounts for the year ended June 30, 2014 provided by management.

Management has informed us that the budget was only prepared for the Athletics operating fund and that no budget was prepared for the other funds as these are primarily gift funds. As a result, we compared total revenues and expenditures in the Athletics operating fund to the budgeted amounts for the year ended June 30, 2014 provided by management. Total revenue in the Athletics fund exceeded budgeted amounts by \$476,992 or 5.9%. Total expenditures in the Athletics fund exceeded budgeted amounts by \$591,517 or 8.4%. 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, 2014.

Management informed us that The Citadel Brigadier Foundation, The Citadel Basketball Association, 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 financial statements of The Citadel Brigadier Foundation for the year ended June 30, 2014. The Citadel Basketball Association and The Citadel Football Association do not produce separately 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 management's allocation and the Statement 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 methodology reported in Note 1 to the Statement 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 Statement of Revenues and Expenditures of The Citadel's Intercollegiate Athletics Program for the year ended June 30, 2014. 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 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
November 7, 2014

The Citadel
The Military College of South Carolina
Intercollegiate Athletics Program
Statement of Revenues and Expenditures
For the year ended June 30, 2014
(Unaudited and prepared by management)

	<u>Football</u>	<u>Basketball</u>	<u>Other Sports</u>	<u>Non- Program Specific</u>	<u>Total</u>
Revenues:					
Ticket sales	\$ 713,998	\$ 70,126	\$ 70,195	\$ -	\$ 854,319
Student fees	1,349,623	661,073	1,365,637	2,255,463	5,631,796
Guarantees	574,430	270,000	5,250	-	849,680
Contributions	662,942	156,418	861,899	125,515	1,806,774
Direct institutional support	1,438,247	314,592	1,625,756	316,844	3,695,439
NCAA/conference distributions	12,500	57,427	-	457,918	527,845
Program sales, concessions, novelty sales and parking	67,676	2,867	1,313	13,409	85,265
Royalties, advertisements and sponsorships	26,089	480	65,800	327,123	419,492
Other revenue	67,709	2,166	7,400	196,721	273,996
Total operating revenue	<u>4,913,214</u>	<u>1,535,149</u>	<u>4,003,250</u>	<u>3,692,993</u>	<u>14,144,606</u>
Expenditures:					
Athletics student aid	2,149,060	493,665	2,648,500	407,372	5,698,597
Guarantees	25,000	11,886	15,789	-	52,675
Coaching salaries and benefits	1,064,808	521,565	1,077,444	-	2,663,817
Support staff/administrative salaries and benefits	-	-	-	1,779,487	1,779,487
Recruiting	128,421	71,163	60,825	-	260,409
Team travel	177,756	176,789	371,313	-	725,858
Equipment, uniforms and supplies	328,415	81,055	303,242	-	712,712
Game expenses	68,852	57,050	86,544	50	212,496
Fundraising, marketing and promotion	5,857	1,803	5,707	162,918	176,285
Direct facilities, maintenance and rental	3,828	2,107	14,088	376,852	396,875
Medical expenses and medical insurance	12,720	2,670	6,602	70,712	92,704
Memberships and dues	4,279	12,596	3,624	28,980	49,479
Other operating expenses	113,482	28,555	112,365	537,631	792,033
Total operating expenditures	<u>4,082,478</u>	<u>1,460,904</u>	<u>4,706,043</u>	<u>3,364,002</u>	<u>13,613,427</u>
Excess of revenues over (under) expenditures	<u>\$ 830,736</u>	<u>\$ 74,245</u>	<u>\$ (702,793)</u>	<u>\$ 328,991</u>	<u>\$ 531,179</u>

**The Citadel
The Military College of South Carolina
Intercollegiate Athletics Program
Notes to Statement of Revenues and Expenditures
For the year ended June 30, 2014
(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, 2014. The contribution was received from The Citadel Brigadier Foundation in the amount of \$1,350,000 and is restricted for scholarships.

3. Direct Institutional Support

The Citadel provided \$3,695,439 of direct institutional support to the Athletic Department in fiscal year 2014. This total was composed of transfers from auxiliaries of \$1,190,141, transfers from unrestricted gift funds of \$285,000, and waived fees of \$2,220,298.

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. 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. Depreciation expense is not included in the Statement of Revenues and Expenditures.

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 for any athletics or non-athletics capital projects in 2014.

5. Capital Expenditures

The Citadel incurred \$1,042,619 of athletics capital expenditures during 2014. All capital expenditures were stadium renovations and not included in the Statement of Revenue and Expenditures.

6. Deferred Inflows of Resources

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 Citadel will not maintain an active involvement in the future generation of advertising revenues. The Citadel is amortizing the deferred revenues in a straight line fashion over the ten years of the contract period.

In fiscal year 2014, The Citadel implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The beginning balance was restated to reclassify the remaining unearned revenues from the Daktronics transaction to deferred inflows of resources. In fiscal year 2014, \$170,000 of the deferred inflow amount was recognized as revenue, and the remaining \$340,000 unearned revenue is recorded as deferred inflows of resources.

7. Intercollegiate Athletics Program Debt

	2003 Athletic Facility Bonds	2005 Athletic Facility Bonds	2010 Athletic Facility Bonds	Total
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	275,674	-	490,000	765,674
2019	-	-	525,000	525,000
2020-2024	-	-	3,195,000	3,195,000
2025-2029	-	-	4,515,000	4,515,000
2030-2031	-	-	2,290,000	2,290,000
Total	<u>\$ 1,037,945</u>	<u>\$ 717,003</u>	<u>\$ 12,285,000</u>	<u>\$ 14,039,948</u>