

**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, 2015



**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 its evaluation of compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.16 for the year ended June 30, 2015. The Citadel is responsible for its Statement of Revenues and Expenses of The Citadel's Intercollegiate Athletics Program (the "Statement") for the year ended June 30, 2015 and compliance with the NCAA's 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 The Citadel. 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 of The Citadel for the year ended June 30, 2015, as prepared by management. For all revenue and expense categories greater than 0.5% of total revenues and expenses, respectively, we recalculated the mathematical accuracy of the amounts in the Statement and compared those amounts to management's supporting worksheets. We then compared the amounts per management's worksheets to the noted series of accounts in The Citadel's general ledger. We inquired of management to obtain supporting explanations for adjustments.

No additional procedures were performed with respect to management's representations of the Statement and related worksheets in management's preparation of the Statement. We found no exceptions as a result of this procedure.

2. For the year ended June 30, 2015, twenty cash receipts were haphazardly selected from the daily cash receipts reports provided by The Citadel Treasurer's office. Each cash receipt was compared to supporting documentation (deposit slips).

<u>Document No.</u>	<u>Date</u>	<u>Amount</u>
F0006259	09/17/2014	\$705.00
F0006307	10/02/2014	\$1,396.78
F0006313	10/06/2014	\$37.00
F0006380	10/30/2014	\$19,357.00
F0006380	10/30/2014	\$625.00
F0006405	11/10/2014	\$24,734.23
F0006421	11/14/2014	\$600.00

<u>Document No.</u>	<u>Date</u>	<u>Amount</u>
F0006421	11/14/2014	\$455.00
F0006435	11/19/2014	\$565.00
F0006456	11/26/2014	\$270.00
F0006456	11/26/2014	\$3,165.00
F0006490	12/10/2014	\$505.00
F0006506	12/16/2014	\$775.00
F0006520	12/19/2014	\$2,632.29
F0006601	01/29/2015	\$1,700.00
F0006615	02/03/2015	\$270.00
F0006660	02/20/2015	\$654.00
F0006660	02/20/2015	\$133.00
F0006713	03/09/2015	\$40.00
F0006747	03/23/2015	\$85.00

We found no exceptions as a result of these procedures.

3. We compared each major revenue and expenditure account over 10% of total revenues and expenses, respectively, in the Statement for the year ended June 30, 2015, to the prior year amounts (fiscal year 2014). We inquired of management to obtain the following explanations for any variations over the lesser of \$1,000,000 or 10% for any revenue or expenditure accounts meeting these criteria.

Revenues:

Student Fees – Total student fees increased in fiscal year 2015 due to the inclusion of approximately \$930,000 of athletic facility fees which were used for debt service payments on athletic facilities which were not required to be included in the Statement in the prior year.

Contributions – Contributions decreased in fiscal year 2015 primarily due to a decrease in contributions of approximately \$39,000 for the football program, \$21,000 for the golf program, and \$167,000 for the non-program specific category. As donations are based on donor preferences and available disposable income, contributions tend to fluctuate annually.

No additional procedures were performed with respect to management’s representations.

4. 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, 2015, prepared by the athletics department business manager. We compared such revenue amount to the amount recorded in the Statement of Revenues and Expenses.

We found no exceptions as a result of these procedures.

5. For student activity revenue, we obtained from management the approved student fees schedule for fiscal year 2015 which included the Athletics Operating Fee (\$2,392) and the Athletics Facility Fee (\$390). We compared the amount of student fees allocated to intercollegiate athletic programs per the general ledger to the corresponding amount on the Statement. In addition, we compared the reported student activity fees to a recalculation provided by management of student enrollment figures and the related fee charged to students. We recalculated management’s computation for the student activity fee revenue to within \$15,385 (0.27%) of the recorded amount.

We found no exceptions as a result of these procedures.

6. We compared the amount of direct state or other governmental support reported on the Statement of Revenue and Expenses with the amount of direct state or other governmental support recorded by The Citadel on the general ledger.

We found no exceptions as a result of these procedures.

7. We obtained a report from The Citadel detailing the direct institutional support revenue recorded by The Citadel for the year ended June 30, 2015. We recalculated the mathematical accuracy of the direct institutional support revenue amounts per the report provided by The Citadel and compared 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 Expenses.

We found no exceptions as a result of these procedures.

8. We obtained a report detailing the principal and interest mandatory transfers made by athletics to The Citadel for the year ended June 30, 2015. We compared the total principal and interest mandatory transfers made by athletics to The Citadel in the report provided by The Citadel to the corresponding amount recorded in the Statement.

We found no exceptions as a result of these procedures.

9. We obtained from management the method for allocating overhead expense to the athletic department and allocation worksheet prepared by management. We recalculated the allocation amounts per the worksheet and compared the allocated amount to Athletics to the Statement of Revenues and Expenses to determine if the method disclosed is consistent with the method described to us.

We found no exceptions as a result of these procedures.

10. For guarantees revenue and expenses, we obtained a detail schedule of the revenue and expenses reported and compared the amounts per the detail to the corresponding amount in the Statement of Revenues and Expenses. We compared all individual amounts in the detail to amounts on the guarantee contracts and deposit information.

We found no exceptions as a result of these procedures.

11. We obtained from management the detail of any contributions, moneys, good or services received directly by the Intercollegiate Athletics Program from any affiliated or outside organization, agency, or group of individuals (two or more). We then vouched any contributions that constituted ten percent or more in aggregate for the year ended June 30, 2015 of all contributions received for intercollegiate athletics during the reporting periods, to supporting documentation including a contribution of \$1,340,000 from The Citadel Brigadier Foundation.

We found no exceptions as a result of these procedures.

12. 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, 2015. We compared the amount of contribution revenue confirmed by The Citadel Brigadier Foundation ("TCBF") with the amount recorded on The Citadel's general ledger for the year ended June 30, 2015.

We found no exceptions as a result of these procedures.

13. We obtained and compared in-kind revenues from a schedule of in-kind revenues to The Citadel's general ledger and Statement of Revenues and Expenses for the year ended June 30, 2015.

We found no exceptions as a result of these procedures.

14. The Citadel identified The Citadel Brigadier Foundation (TCBF) as the only outside organization not under the accounting control of The Citadel that has as one of its 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, 2015.

As of the report date, the audited financial statements of The Citadel Brigadier Foundation were not available as the audit has not been completed. In lieu of obtaining the audited financial statements of TCBF, we inspected the contribution revenue confirmed by TCBF (as noted in procedure #12 above) for the fiscal year 2015 and compared the confirmed revenue amount recorded on The Citadel's general ledger. No exceptions were found as a result of these procedures.

15. We obtained and inspected agreements related to The Citadel's participation in revenues from broadcast, television, radio and Internet rights which stated the relevant terms and conditions. If applicable, we compared and agreed related revenues to The Citadel's general ledger and Statement of Revenues and Expenses for the year ended June 30, 2015.

We found no exceptions as a result of these procedures.

16. We obtained a report from The Citadel which details revenue received from The Citadel's participation in NCAA and Southern Conference distributions including all tournament revenue for the year ended June 30, 2015. We compared the revenue amounts included in the report to amounts specified in NCAA and Southern Conference statements provided by The Citadel. We compared the total revenue for The Citadel's participation in the NCAA and Southern Conference distributions including all tournament revenue in the report provided by The Citadel to the corresponding amount in the Statement.

We found no exceptions as a result of the procedures performed on the NCAA and Southern Conference distributions.

17. We obtained and compared revenues from a schedule of program sales, concessions, novelty sales and parking to The Citadel's general ledger and Statement of Revenues and Expenses for the year ended June 30, 2015. For the year ended June 30, 2015, ten transactions were haphazardly selected from the cash receipts of program, concessions, and novelty sales from the general ledger detail. Each cash receipt was compared to supporting documentation (deposit slips).

<u>Account No.</u>	<u>Organization No.</u>	<u>Document No.</u>	<u>Date</u>
560400	70040	F0007016	06/30/2015
560400	70030	F0006755	03/25/2015
560400	70020	F0006548	01/09/2015
560400	70020	F0006520	12/19/2014
560875	70020	F0006415	11/12/2014
560875	70020	F0006352	10/20/2014
560875	70020	F0006223	09/03/2014
561000	70040	F0006792	04/07/2015
561000	70030	F0006693	03/04/2015
561000	70020	F0006352	10/20/2014

We found no exceptions as a result of these procedures.

18. We obtained the Royalties, Advertising, and Sponsorship revenue detail and compared the total amount per the detail to the corresponding amount in the Statement of Revenues and Expenses.

We found no exceptions as a result of these procedures.

19. 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 found no exceptions as a result of these procedures.

20. We obtained the Other Revenue detail and compared the total amount per the detail to the corresponding amount in the Statement of Revenues and Expenses.

We found no exceptions as a result of these procedures.

21. For the year ended June 30, 2015, twenty-five cash disbursements for the Intercollegiate Athletic Program were haphazardly selected. For each of these twenty-five 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>	<u>Amount</u>
I0056674	08/11/2014	\$495.00
I0057244	08/20/2014	\$514.12
I0057442	08/29/2014	\$28.19
I0057806	09/10/2014	\$282.18
I0057940	09/11/2014	\$149.50
I0058332	09/24/2014	\$101.90
I0058816	10/31/2014	\$84.44
I0058987	10/14/2014	\$170.00
I0058946	10/14/2014	\$150.00
I0059884	11/07/2014	\$551.82
I0060007	11/17/2014	\$171.58
I0060235	11/20/2014	\$125.00
I0060953	12/17/2014	\$2,308.65
I0060950	12/17/2014	\$3,322.44
I0061372	01/14/2015	\$2,000.00
I0061332	01/16/2015	\$359.28
I0061347	01/21/2015	\$220.50
I0061786	01/27/2015	\$700.00
I0061905	01/30/2015	\$150.00
I0061829	02/02/2015	\$105.88
I0062345	02/12/2015	\$100.00
I0062718	02/24/2015	\$306.42
I0063428	03/17/2015	\$263.68
I0063678	03/25/2015	\$286.25
I0063609	03/25/2015	\$77.04

We found no exceptions as a result of these procedures.

22. We obtained a listing of institutional student aid recipients during the reporting period and recalculated totals for each sport and overall. We selected a sample of 30 students (or approximately 10% of the total number of recipients) from this listing and obtained individual student account detail for each selection and compared total aid allocated from the related aid award letter to the student's account. We inspected a Squad Listing report from the NCAA's Compliance Assistant (CA) software for indication that the following information was reported accurately in the NCAA's CA software:

- a. The equivalency value for each student-athlete in all sports, including head-count sports, need to be converted to a full-time equivalency value.
- b. A student-athlete can only be included in one sport.
- c. All equivalency calculations should be rounded to two decimal places.
- d. The full grant amount should always be the full cost of tuition for an academic year, not semester.
- e. If a sport is discontinued and the grant(s) are still being honored by The Citadel, the grant(s) are included in student-athlete aid for revenue distribution purposes.
- f. Student-athletes receiving athletic aid who have exhausted their athletic eligibility or are inactive due to medical reasons should be included in the student-athlete aid total and correctly noted on the squad list.
- g. Only athletic aid awarded in sports in which the NCAA conducts championship competitions, emerging sports for women and football should be included in the calculations.

We found no exceptions as a result of these procedures.

23. We obtained a schedule of athletic department salaries, including departmental staff from management and agreed those amounts to the appropriate general ledger salary accounts. 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/administrated salaries and benefits paid by The Citadel for the year ended June 30, 2015. We selected a sample of twelve employees paid from the Intercollegiate Athletic Program for the year ended June 30, 2015. For each of these employees, we compared the disbursed amount to the authorized amount per pay period. To determine 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.

We found no exceptions as a result of these procedures.

24. We requested to receive a listing of athletic employees receiving severance payments paid by The Citadel during the year ended June 30, 2015. Management has informed us that there were no such severance payments to report for the year ended June 30, 2015.

We found no exceptions as a result of these procedures.

25. We obtained a copy of the Intercollegiate Athletic Program's recruiting and travel expense policies and compared to related policies documented in the NCAA related policies.

We found no exceptions as a result of these procedures.

26. We obtained a report detailing recruiting expenses from The Citadel for the year ended June 30, 2015 and compared the total recruiting expenses in the report provided by The Citadel to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

27. We obtained a report detailing team travel expenses from The Citadel for the year ended June 30, 2015 and compared the total team travel expenses in the report provided by The Citadel to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

28. We obtained a report detailing equipment, uniforms and supplies expenses from The Citadel for the year ended June 30, 2015 and compared the total equipment, uniforms and supplies expenses in the report provided by The Citadel to the corresponding amount in the Statement. We selected a sample of 3 transactions paid from the Intercollegiate Athletic Program for the year ended June 30, 2015 to validate existence of transactions and accuracy of recording and recalculate totals.

We found no exceptions as a result of these procedures.

29. We obtained a report detailing game expenses from The Citadel for the year ended June 30, 2015 and compared the total game expenses in the report provided by The Citadel to the corresponding amount in the Statement. We selected a sample of 3 transactions paid from the Intercollegiate Athletic Program for the year ended June 30, 2015 to validate existence of transactions and accuracy of recording and recalculate totals.

We found no exceptions as a result of these procedures.

30. We obtained a report detailing fundraising, marketing, and promotion expenses from The Citadel for the year ended June 30, 2015 and compared the total fundraising, marketing and promotion expenses in the report provided by The Citadel to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

31. We obtained a listing of debt service schedules, lease payments and rental fees for athletics facilities from The Citadel for the year ended June 30, 2015 and compared the total in the report provided by The Citadel to the corresponding amount in the Statement. We compared a sample of three facility payments to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements).

We found no exceptions as a result of these procedures.

32. We obtained a report detailing direct facilities, maintenance, and rental expenses from The Citadel for the year ended June 30, 2015 and compared the total direct facilities, maintenance and rental expenses in the report provided by The Citadel to the corresponding amount in the Statement.

We found no exceptions as a result of these procedures.

33. We obtained a report detailing other operating expenses from The Citadel for the year ended June 30, 2015. We compared the total other operating expenses in the report provided by The Citadel to the corresponding amount recorded in the Statement.

We found no exceptions as a result of these procedures.

34. We obtained the squad lists of The Citadel and compared the listing to the sports sponsored reported in the NCAA Membership Financial Reporting System.

We found no exceptions as a result of these procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items and on the effectiveness of internal control over financial reporting described in paragraph one and procedures from pages 1 through 8 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 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.

Elliott Davis Decosimo, LLC

Greenville, South Carolina
January 15, 2016

The Citadel
The Military College of South Carolina
Intercollegiate Athletics Program
Statement of Revenues and Expenses
For the year ended June 30, 2015
(Unaudited and prepared by management)

	Football	Basketball	Other Sports	Non- Program Specific	Total
Revenues:					
Ticket sales	\$ 1,307,390	\$ 61,340	\$ 70,285	\$ 6	\$ 1,439,021
Direct state or other governmental support	-	-	-	350,000	350,000
Student fees	1,542,271	785,240	1,622,314	2,733,846	6,683,671
Direct institutional support	1,616,832	296,683	1,570,471	98,219	3,582,205
Indirect institutional support	-	-	-	-	-
Guarantees	440,000	180,000	-	-	620,000
Contributions	623,594	146,292	799,717	135,739	1,705,342
Inkind contributions	-	-	-	80,608	80,608
NCAA distributions	-	-	-	411,821	411,821
Conference distributions	14,063	-	-	109,380	123,443
Program sales, concessions, novelty sales and parking	57,470	4,437	20,132	7,092	89,131
Royalties, advertisements and sponsorships	-	1,277	59,422	266,558	327,257
Other revenue	30,002	447	12,185	124,337	166,971
Total operating revenue	<u>5,631,622</u>	<u>1,475,716</u>	<u>4,154,526</u>	<u>4,317,606</u>	<u>15,579,470</u>
Expenses:					
Athletics student aid	2,565,015	531,277	2,647,102	109,706	5,853,100
Guarantees	67,500	11,244	16,000	-	94,744
Coaching salaries and benefits	1,093,146	556,570	1,149,879	-	2,799,595
Support staff/administrative salaries and benefits	-	-	-	1,937,722	1,937,722
Recruiting	112,260	75,698	68,653	-	256,611
Team travel	176,985	188,093	405,070	-	770,148
Equipment, uniforms and supplies	316,223	79,444	291,828	-	687,495
Game expenses	75,732	66,708	94,661	6,697	243,798
Fundraising, marketing and promotion	-	2,270	2,925	168,245	173,440
Athletic facilities debt service	-	-	-	2,250,149	2,250,149
Direct overhead and administrative expenses	5,149	436	12,136	518,560	536,281
Medical expenses and medical insurance	24,199	4,974	12,298	75,154	116,625
Memberships and dues	4,314	14,030	3,879	30,582	52,805
Other operating expenses	197,546	40,275	108,754	530,212	876,787
Total operating expenditures	<u>4,638,069</u>	<u>1,571,019</u>	<u>4,813,185</u>	<u>5,627,027</u>	<u>16,649,300</u>
Excess of revenues over (under) expenses	<u>\$ 993,553</u>	<u>\$ (95,303)</u>	<u>\$ (658,659)</u>	<u>\$ (1,309,421)</u>	<u>\$ (1,069,830)</u>

**The Citadel
The Military College of South Carolina
Intercollegiate Athletics Program
Notes to Statement of Revenues and Expenses
For the year ended June 30, 2015
(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, 2015. The contribution was received from The Citadel Brigadier Foundation in the amount of \$1,340,000 and is restricted for scholarships.

3. Direct Institutional Support

The Citadel provided \$3,582,205 of direct institutional support to the Athletic Department in fiscal year 2015. This total was composed of transfers from auxiliaries of \$1,100,000, transfers from The Citadel trust of \$300,000, and waived and abated student fees of \$2,182,205.

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 Expenses.

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 2015.

5. Capital Expenses

The Citadel incurred \$57,429 of athletics capital expenses during 2015. All capital expenses were stadium renovations and not included in the Statement of Revenue and Expenses.

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 2015, \$170,000 of the deferred inflow amount was recognized as revenue, and the remaining \$170,000 unearned revenue is recorded as deferred inflows of resources.

7. Intercollegiate Athletics Program Debt

	2014 Athletic Facility Bonds	2015 Athletic Facility Bonds	Total
2016	\$ 256,983	\$ 480,000	\$ 736,983
2017	261,455	540,000	801,455
2018	266,004	570,000	836,004
2019	-	595,000	595,000
2020	-	625,000	625,000
2021-2025	-	3,560,000	3,560,000
2023-2030	-	4,535,000	4,535,000
2031	-	1,045,000	1,045,000
Total	<u>\$ 784,442</u>	<u>\$ 11,950,000</u>	<u>\$ 12,734,442</u>