

SOUTH CAROLINA STATE UNIVERSITY

Intercollegiate Athletics Program

Year Ended June 30, 2008

SOUTH CAROLINA STATE UNIVERSITY

Intercollegiate Athletics Program

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Independent Accountants' Report on Applying Agreed-Upon Procedures

South Carolina State University
300 College Street N.E.
Orangeburg, South Carolina

We have performed the procedures enumerated below, which were agreed to by the management of South Carolina State University (the "University") solely to assist you in evaluating whether the Statement of Athletic Revenues and Expenditures of the Intercollegiate Athletic Program of the University is in compliance with the National Collegiate Athletic Association (the "NCAA") Bylaw 6.2.3.1 for the year ended June 30, 2008 and to assist you in your evaluation of the effectiveness of the University's internal control over financial reporting as of June 30, 2008. The University's management is responsible for compliance with NCAA Bylaw 6.2.3.1 and maintaining effective internal control. 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 these procedures is solely the responsibility of the University's management. 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.

Procedures Related to the Statement of Athletic Revenues and Expenditures

1. We obtained the Statement of Athletic Revenues and Expenditures for the year ended June 30, 2008, as prepared by management of the University and shown in Attachment A herein. Management has represented to us that all general ledger (the "GL") accounts related to the Intercollegiate Athletic Program have been included in the Statement of Athletic Revenues and Expenditures.

We verified the mathematical accuracy of the schedule and found such amounts to be in agreement with the University's GL.

2. We obtained the NCAA Guidelines for Classification of Revenues and Expenditures and compared those with the classification on the Statement of Athletic Revenues and Expenditures. We noted some variances such as the following:
 - a. Benefits provided to head and assistant coaches were not recorded separately from those provided to support staff. NCAA guideline requires it to be separately identifiable.
 - b. The following NCAA expense classifications were not recorded in the GL separately but were recorded in various specific types of expense accounts (i.e. travel, telephone, supplies, etc.).
 1. Recruiting expenses
 2. Game expenses
 3. Spirit Groups (bands, cheerleaders, mascots, dances)

3. We compared the amounts reported on the Statement of Athletic Revenues and Expenditures in Attachment A for the year ended June 30, 2008 with the amounts reported on the Statement of Athletic Revenues and Expenditures for the year ended June 30, 2007. We obtained management's explanations of variances greater than both 10% of the 2007 amount and \$10,000 as follows:

- Parking – Season parking rate increased from \$50 to \$100.
- NCAA/Conference distribution – The NCAA grants-in-aid for FY07-08 in the amount of \$181,760 was received and recorded in FY08-09. It should have been recorded for FY07-08.
- Mid East Athletic Conference (the "MEAC") – The University receives a year-end distribution from the MEAC office that varies each year. Funds received are contingent upon various factors such as graduation rates, all sports awards, etc.
- Game guarantees – In fiscal year 2007, only one football game generated a game guarantee of \$12,500. For the current year, two football games generated a total game guarantee of \$455,000. However, game guarantee from basketball decreased by \$139,000.
- South Carolina State University Education Foundation (the "Foundation") and S.T.A.T.E. Club-In Kind – Increase in funds deposited to the Foundation which are sourced from sponsorships, private donations, etc.
- Athletic program sales – Other miscellaneous revenue is contingent upon what organizations decided to give the department on a yearly basis. Funds in this category are derived from contributions made to various sports such as women's golf, tennis, etc. This amount varies from year to year.
- Coaches' salaries – The increase is due to the addition of one coach and an increase in salary rates.
- Telephone – More recruiting has been done via phone to reach out to more perspective student athletes.
- Coaches and Coaching Staff Travel – Due to increase in recruiting travel. With more student athletes graduating, more recruiting was done to replace the graduating student athletes.
- Membership dues and fees – Due to increase in membership dues for MEAC and NCAA.
- Fixed charges – The University rented the Citadel stadium during one of the games.
- Financial aid scholarships – Due to increase in student athletes.

We also compared the amounts reported on the Statement of Athletic Revenues and Expenditures in Attachment A for the year ended June 30, 2008 with the budgeted amounts for the year ended June 30, 2008. Based on discussions with management, the budget is based on a pool. Funds budgeted for certain items were aggregated into a pool amount. Therefore, not all individual accounts will have a budget; rather the budget is included in the amount for a pool of accounts. We obtained management's explanations of variances greater than both 10% of the budgeted amount and \$10,000 as follows:

- NCAA Conference distribution – Funds distributed to the University from the NCAA are calculated by the NCAA and the amounts vary from year to year.
- MEAC Conference – Funds distributed to the University from the MEAC are calculated by the MEAC and the amounts vary from year to year.
- South Carolina State University Foundation and S.T.A.T.E Club In-Kind – There is no budget given for the Foundation. Funds are carried over from prior years, and funds are spent according to their availability. Funds deposited into the Foundation are derived from sponsorships, private donations, etc. Therefore, the amount received and whether any funds will be received is not known in advance.
- Financial aid waivers – Waivers are dependent upon the number of out-of-state students that are signed each year by each individual coach. This number will change depending on student performance, APR standards, recruiting and the replacement of coaches each year.
- Other miscellaneous revenue – Other miscellaneous revenue is contingent upon what organizations decided to give the department on a yearly basis. Funds in this category are derived from contributions made to various sports such as women's golf, tennis, etc. This amount varies from year to year.
- Fringe benefits – The increase in fringe benefits is a reflection of increases in the coaching staff and other personnel.
- Other contractual services – Due to the purchase of the turf and the scoreboard, additional items and contractual services and labor are needed for the upkeep, operations, and maintenance of these items.
- Supplies – The increase in supplies is a reflection of increases in personnel.
- Equipment purchases – Men's Basketball purchased a new editing system.
- Utilities – Increase in home games played during current year. Power rate increased during the year which was not considered in the budget.

- Financial aid scholarships – Scholarships are dependent upon the number of students that are signed each year by each individual coach. This number will change depending on student performance, APR Standards, recruiting and the replacement of coaches each year.
 - Financial aid waivers – Waivers are dependent upon the number of out-of-state students that are signed each year by each individual coach. This number will change depending on student performance, APR standards, recruiting and the replacement of coaches each year.
4. We obtained the Ticket Sales Reconciliation Report and the Ticketmaster Audit Report for each of the home football games played during the year ended June 30, 2008. From these reports we compared the total tickets sold per the amount of ticket revenue recorded in the general ledger and noted the following:

Gate Sales

Per Ticketmaster Audit Report (Etix report)	\$ 584,000
Per General Ledger	<u>490,212</u>
Difference	<u>93,788</u>

Season Ticket Sales

Per Ticket Sales Reconciliation	309,500
Per General Ledger	<u>277,564</u>
Difference (GL is under)	<u>31,936</u>

Total difference	125,724
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Difference is accounted for as follows:

Credit card payments recorded as miscellaneous income	(23,140)
Payment of admission tax debited to ticket sales	<u>(42,491)</u>

Net un-reconciled difference	<u>\$ 60,093</u>
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The net difference is still being reconciled by ticket sales office and finance department. Subsequently, personnel from both offices have told us that part of the un-reconciled difference is attributable to uncollected invoices amounting to \$19,515, USC game tickets not accounted for by ticket office in the amount of \$15,539 and erroneous keying of deposit to other GL index amounting to \$1,125.

We selected the Delaware State University game and the Florida A&M University game for additional testing on accuracy and completeness of amount deposited and recorded in the general ledger. However, ticket sales office could not provide us details of deposits that will agree to the amount reported in the ticket sales reconciliation and recorded in the GL. Furthermore, documents (i.e. deposit slip, ticket sales report, etc.) supporting the ticket sales reconciliation of these games are not completely available for review.

5. For game guarantee revenue, we obtained a detail listing of the games played for which a guarantee payment was contracted for and compared the amount per the detail to the corresponding amount on Schedule A. We chose the three largest game guarantees: University of South Carolina, US Air Force Academy and North Carolina State University and agreed the revenue per the signed contracts to the game guarantee revenue recorded by the University on the GL.

The Schedule and the detail were in agreement, and we found the amounts recorded in the general ledger for game guarantee revenue for University of South Carolina, US Air Force Academy and North Carolina State University to be in agreement with the signed game guarantee contract.

6. We scanned the University's general ledger for individual contributions relating to intercollegiate athletic activities that constituted more than ten percent of the contribution revenue included in Attachment A and we found none. The only contribution revenue reported was that from the Foundation.

We confirmed directly with responsible officials of the Foundation the amount of contributions revenue reported in Attachment A. These contributions represent all expenditures made by the Foundation to or on behalf of The University's Intercollegiate Athletic Program or any of its employees. We also directly obtained from the Foundation a detailed list of all expenditures for the year ended June 30, 2008. We compared the total amount of expenditures made per the detail listing with the amounts reported in the Intercollegiate Athletics Program's Statement of Athletic Revenues and Expenditures for the year ended June 30, 2008.

We found the detail listing of expenditures to be in agreement with the amounts reported as contribution revenue as well as expenditures on the Statement of Athletic Revenues and Expenditures.

7. We obtained agreements related to the University's participation in revenues from tournaments for the year ended June 30, 2008. We compared the amount of revenue related to NCAA/Mid Eastern Athletic Conference distributions reported on Schedule A included with this report, with the amount recorded in the GL.

No exceptions were found as a result of these procedures.

8. We obtained from management a detail listing of financial aid awarded to student athletes for the year ended June 30, 2008. We compared the amount from the detail to the corresponding amount reported on the Statement of Athletic Revenues and Expenditures for the year ended June 30, 2008. We haphazardly selected six student athletes; Shaheerah Sabreen Abdullah, Brittany Nicole Baity, Patrick Henry Brooks, Anthony Baldwin Campbell, and Richard Langford Christie, from the detail listing. We compared the amount in the detail listing to the amount on the financial aid award letter and to the amount of credit to the recipient's student account balances.

We found the detail listing to be in agreement with the corresponding amount reported on the Statement of Athletic Revenues and Expenditures. We found the amounts reported on the detail listing for the six student athletes selected to be in agreement with the amount on the individual financial aid award letter and the amount posted to student account activity reports.

9. We obtained a listing of all individuals employed by the intercollegiate Athletics Program of the University. We haphazardly selected ten employees. For each of these employees we compared the gross pay 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 a year. The employees selected were as follows:

Harmon, James C	Davis, Alicia A
Elliott, Antonio L	Carter, Timothy J
Noble, Romanda	Harkness, George
Hendrick, John M	Stallworth, Thomas E
Dillard, LaNette	Canty, Thomas L

We found the disbursed amounts to be in agreement with the authorized amounts.

10. We compared the University's written team travel policies to the NCAA Guidelines and determined that the written team travel policies were in compliance with the NCAA Guidelines.
11. We requested from management a list of all outside organizations not under the accounting control of the University that have as one of their primary purposes the generation of resources for, or on behalf of, the University's Intercollegiate Athletic Program or the promotion of this program. We also requested from management financial statements of identified outside organizations for the year ended June 30, 2008.

Management informed us the Foundation and The STATE Club were the only outside organizations not under the accounting control of the University that had as one of their primary purposes the generation of resources for, or on behalf of, the University's Intercollegiate Athletic Program. However, as The STATE Club is a private organization and can only make contributions to the University's athletic programs through the Foundation, there are no direct payments to or on behalf of the University's Intercollegiate Athletics Program except for those made by the Foundation. Management furnished us copies of audited financial statements of the Foundation for the year ended December 31, 2007. We compared those statements to the statements of the only discretely presented component unit in the financial statements of the University for the year ended June 30, 2008 and found both sets of statements to represent the same Foundation and to be in agreement.

Procedures Related to Internal Control Over Financial Reporting

12. We obtained a copy of the Policy and Procedures Manual relating to the University's Intercollegiate Athletic Program. We made inquiries of the Athletic Director and other members of management regarding matters discussed in the manual related to internal control consciousness, competency of personnel, and protection of records and equipment. We also made inquiries of the internal accounting controls that were unique to intercollegiate athletics. Based on our inquiries and in accordance with our agreement with management, we performed the following procedures:
13. Twelve revenue transactions for the year ended June 30, 2008 were haphazardly selected from the University's general ledger. Each of the selected revenue transactions were compared to copies of the cash receipts slips issued by the treasurer's office. The items selected were as follows:

<u>Reference Number</u>	<u>Date</u>	<u>Amount</u>
1. F0000283	08/06/2007	\$ 3,375
2. F0000330	09/26/2007	22,425
3. F0000356	10/17/2007	10,055
4. F0000357	10/17/2007	18,465
5. F0000357	10/17/2007	33,275
6. F0000359	10/18/2007	27,816
7. F0000369	10/30/2007	65,065
8. F0000369	10/30/2007	25,965
9. F0000368	10/31/2007	13,720
10. F0000397	11/20/2007	23,739
11. F0000421	12/17/2007	70,125
12. F0001260	05/20/2008	2,860

We found such amounts from the revenue transactions recorded in the GL to be in agreement with the cash receipts issued.

14. We haphazardly selected twenty-five cash disbursements from the GL accounts for the Intercollegiate Athletic Program for the year ended June 30, 2008. For each of these twenty-five disbursements, we compared the disbursed amount and payee information to supporting documentation (i.e. invoices, purchase order and acknowledgement of receipt). The items selected were as follows:

<u>Description</u>	<u>Check Number</u>	<u>Disbursement Amount</u>
1. A Sharp Production	145762	\$ 8,517
2. Todd and Moore	152649	29,172
3. The Citadel	152824	27,350
4. T & T Sports	146238	81,278
5. Kesslers Team Sports	145377	11,780
6. Hilton	140338	19,739
7. Sodexho	140314	11,400
8. Sodexho	140294	13,926
9. Anler's Hilton Hotel	140038	38,970
10. Air Planning, LLC	139383	62,575
11. Sheraton Hotel	142908	13,952
12. Marriott Hotel	144095	12,777
13. Price, Tyree Edwar	155271	11,160
14. Sodexho	156244	6,904
15. Embassy	149389	16,464
16. T & T Sports	145849	11,242
17. Major Graphics	146979	24,594
18. Major Graphics	144578	8,820
19. Bexel	147901	8,502
20. Verizon Wireless	153667	5,480
21. Sodexho Dining	148205	18,810
22. Daktronics Sales	146949	8,743
23. Price, Tyree Edwar	149441	16,375
24. Mackey, Tonya	147464	11,700
25. Residence Inn by Marriott	153134	7,188

We found the disbursement amounts to be in agreement with the supporting documentation.

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 Athletic Revenues and Expenditures of the Intercollegiate Athletic Program of South Carolina State University or on compliance with NCAA Bylaw 6.2.3.1 or on the effectiveness of South Carolina State University Intercollegiate Athletic Department's internal control over financial reporting for the year ended June 30, 2008. 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 management of South Carolina State University and is not intended to be, and should not be, used by anyone other than these specified parties.

Cheng, Bekert + Holland, L.L.P.

December 1, 2008
Charlotte, North Carolina

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

**STATEMENT OF ATHLETIC REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008
(Unaudited)**

Description	Football	Basketball	Other Sports	Nonprogram Specific	Total
Revenues					
Ticket Sales	\$ 767,776	\$ 8,571	\$ -	\$ -	\$ 776,347
Parking	43,699	-	-	1,600	45,299
NCAA/Conference Distribution	-	-	-	105,465	105,465
Mid Eastern Athletic Conference	-	-	-	136,785	136,785
Game Guarantees	455,000	145,000	-	-	600,000
SCSU Foundation, Inc. - In-kind contribution	107,006	8,069	10,135	189,747	314,957
Athletic Program Sales	-	-	-	14,260	14,260
Other	499	633	1,600	7,329	10,061
Licensing Fees/Royalties	-	-	-	3,736	3,736
Financial Aid Waivers	130,314	162,012	367,267	23,769	683,362
Total Revenue	1,504,294	324,285	379,002	482,692	2,690,273
Expenditures					
Coaches Salaries	652,552	529,912	155,005	-	1,337,469
Support Staff Salaries	76,254	33,121	211,983	1,150,682	1,472,040
Fringe Benefits	173,731	154,711	59,322	264,864	652,628
Uniforms & Clothing Supplies	39,528	39,077	50,134	19,471	148,210
Other Supplies	203,646	35,356	59,911	312,176	611,089
Telephone	6,636	4,628	5,733	19,313	36,310
Other Contract Services	49,619	13,324	15,373	145,282	223,598
Advertising & Promotions	51,037	4,461	8,736	35,234	99,468
Team Travel	381,303	207,597	403,849	17,273	1,010,022
Coaches and Staff Travel	37,411	73,550	48,350	101,972	261,283
Medical Insurance	41,964	31,709	9,218	71,816	154,707
Membership Dues & Fees	27,470	54,496	12,355	58,105	152,426
Fixed Charges	46,778	4,155	6,062	77,620	134,615
Equipment Purchases	-	-	-	2,986	2,986
Utilities	-	-	-	108,350	108,350
Financial Aid Scholarships	1,000,736	441,610	1,094,680	862,691	3,399,717
Financial Aid Waivers	130,314	162,012	367,267	23,769	683,362
Total Expenditures	2,918,979	1,789,719	2,507,978	3,271,604	10,488,280
Deficiencies of Revenues over Expenditures	\$ (1,414,685)	\$ (1,465,434)	\$ (2,128,976)	\$ (2,788,912)	\$ (7,798,007)

SOUTH CAROLINA STATE UNIVERSITY

Intercollegiate Athletics Program

Notes to Statement of Athletic Revenues and Expenditures
June 30, 2008
(Unaudited)

Note 1 – Summary of Significant Accounting Policies

The Department of Athletics is responsible for the intercollegiate athletic programs of South Carolina State University (the University). The Department of Athletics transactions are reported in the University's unrestricted current funds.

Basis of Presentation – The accompanying statement presents the recorded amounts of revenues and expenses of South Carolina State University's Department of Athletics. It is not intended to be a complete presentation of the revenues and expenses of South Carolina State University or South Carolina State University's Department of Athletics. The Statement of Athletic Revenues and Expenditures has been prepared using the modified accrual basis of accounting. Equipment costs are recognized as expenditures and no provision has been made for depreciation of physical plant assets. Revenue is recognized when earned and expenses when supplies or services are received.

Note 2 – Donations

South Carolina State University received one donation from an outside organization that exceeded ten percent of all donations to the Athletic Department during the year ended June 30, 2008. Contributions were received from the South Carolina State Foundation, Inc. in the amount of \$ 314,957.