

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

Statement of Athletic Revenue and Expenditures

(with Independent Accountants' Report on Applying
Agreed-Upon Procedures thereon)

Year Ended June 30, 2009

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

Year Ended June 30, 2009
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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, 2009 and to assist you in your evaluation of the effectiveness of the University's internal control over financial reporting as of June 30, 2009. The University's management is responsible for compliance with NCAA Bylaw 6.2.3.1 and maintaining effective internal control over financial reporting. This agreed-upon procedures engagement 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, 2009, as prepared by management of the University and shown in Attachment A herein. Management has represented to us that all general ledger accounts related to the Intercollegiate Athletic Program have been included in the Statement of Athletic Revenues and Expenditures. We recalculated the mathematical accuracy of the amounts on the schedule and agreed the amounts to the University's general ledger. We traced the individual line item amounts from the Statement of Athletic Revenues and Expenses to management's worksheets and compared the amounts on the worksheets to the general ledger.

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

2. We obtained the NCAA Guidelines for Classification of Revenues and Expenditures and compared those classifications with the classifications on the Statement of Athletic Revenues and Expenditures.

We found the classifications on the Statement of Athletic Revenue and Expenditures to be in agreement with NCAA Guidelines for Classifications of Revenue and Expenditures.

3. We compared the amounts reported on the Statement of Athletic Revenues and Expenditures in Attachment A for the year ended June 30, 2009 with the amounts reported on the Statement of Athletic Revenues and Expenditures for the year ended June 30, 2008. We obtained management's explanations of variances greater than both 10% of the 2008 amount and \$27,000 as follows:
- NCAA/Conference distribution revenue (Increase of \$255,038 and 71%) – An NCAA distribution in the amount of \$181,760 was received in August 2008. According to the Controller's Office, these funds arrived too late to be applied to fiscal year 2008; therefore, they had to be applied to fiscal year 2009.
 - Mid-Eastern Athletic Conference (the "MEAC") distribution revenue (Decrease of \$86,163 and 170%) – A MEAC distribution in the amount of \$82,027 arrived in August 2007. These funds were received from fiscal year 2007, but they were applied to fiscal year 2008.
 - Game guarantees (Increase of \$87,500 and 13%) – The football team received additional funding for playing in the first round of the playoffs, the men's basketball team increased its guarantees and there was one women's basketball guarantee.
 - South Carolina State University Foundation (the "Foundation") contribution revenue (Increase of \$107,285 and 25%) – More funds were donated for athletics. Funds in the Foundation are derived from private donations and the Athletic Department has very little control over what is donated each year.
 - Coaches' salaries (Increase of \$1,648,210 and 68%) – In fiscal year 2008, some salaries classified as other salaries should have been classified as coach's salaries. This increase is a reflection of the correction from fiscal year 2008. Furthermore, another Strength & Conditioning coach was added. There was also a cost of living increase and an additional increase for Coach Pough based on his contract.
 - Other salaries (Decrease of \$1,489,076 and 281%) – In fiscal year 2008, some salaries classified as other salaries should have been classified as coach's salaries.
 - Fringe benefits (Increase of \$151,093 and 19%) – This increase is a reflection of the cost of living increase, new personnel and the contractual increase that was given.
 - Uniforms and clothing supplies (Increase of \$97,357 and 40%) – Total expenditures for uniforms and supplies will vary per year because of the various contracts that the University has with its suppliers. Certain teams get free uniforms every other year; therefore, the amount spent on uniforms will fluctuate from year to year.
 - Other supplies (Decrease of \$471,498 and 338%) – Clothing and uniform supplies purchased in fiscal year 2008 were included in the other supplies account instead of the uniform and clothing account; therefore, in the prior year, the uniform and clothing supplies account was understated and the other supplies account is overstated.
 - Advertising and promotion (Increase of \$133,362 and 57%) – In the previous year, marketing efforts were limited and only focused on revenue generating sports. However, in fiscal year 2009, more effort was placed on improving marketing for all sports and the Athletic Department as a whole.

- Other travel (Decrease of \$35,880 and 99%) – The Athletic Department reduced the size of the travel party for conferences and conventions, the number of professional development workshops, etc.
- Insurance administrative fee (Decrease of \$153,786 and 16,698%) – All student insurance was paid by the Finance Division, and students were required to show proof of insurance or purchase the insurance through the University; therefore, this reduced the number of claims filed and the insurance administrative fees associated with these claims.
- Fixed charges (Decrease of \$66,966 and 99%) – New padding was purchased for the SHM Memorial Center. In addition, supplies, including tennis balls and other supply items were purchased for tennis and other sports,.
- Equipment purchases (Increase of \$30,732 and 91%) – New equipment was purchased in fiscal year 2009.
- Financial aid scholarship (Decrease of \$376,262 and 12%) – Fewer scholarships were awarded in fiscal year 2009. Various factors contributed to the decrease, such as students not meeting requirements set forth by the NCAA.

We also compared the amounts reported on the Statement of Athletic Revenues and Expenditures in Attachment A for the year ended June 30, 2009 with the budgeted amounts for the year ended June 30, 2009. 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 \$27,000 as follows:

- Other contractual services (Over budget by \$54,898 and 27%) – Additional funds were spent for teams to stay on campus during academic breaks. When teams are competing, they are sometimes required to stay on-campus during breaks and they must have housing and meals. Depending on when the games occur, the actual expenditures can be significantly impacted by playoff games. Contractual services expenses varied from the budget amounts due to the number of teams competing in playoff games.
- Advertising and promotion (Over budget by \$61,996 and 27%) – In the previous year, marketing efforts were limited and only focused on revenue-generating sports. However, in fiscal year 2009, more effort was placed on improving marketing for all sports and the department as a whole. The budgeted amount was based on the previous year's activity and did not account for the increased spending.

- Travel (Over budget by \$138,784 and 11%) – Additional funds were spent for team travel in fiscal year 2009 due to travel for playoff games for several teams (Football, Men's Tennis, and Women's Tennis). When teams compete in the playoffs, additional staff must also travel.
 - Utilities (Over budget by \$47,351 and 46%) – The cost of utilities increased. Furthermore, the budget for utilities was insufficient and was based on the previous year's budget not the previous year's expenditures.
 - Financial aid scholarships (Over budget by \$907,351 and 30%) – 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, Academic Progress Rate ("APR") Standards, recruiting and the replacement of coaches each year. Budgeted numbers are based on prior year actual expenditures and not the actual allotment.
 - Financial aid waivers (Over budget by \$213,484 and 30%) – 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. Budgeted numbers are based on prior year actual expenditures and not the actual allotment.
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, 2009. We tested the mathematical accuracy of these reports and compared the football ticket sales revenue in the reconciliation report prepared by the athletics department to the amount of football ticket sales revenue on the Statement of Athletic Revenue and Expenditures, as well as comparing the cash receipts deposited to the reconciliation report, for the year ended June 30, 2009.

Gate Sales

Per Ticketmaster Audit Report (Etix report)	\$ 458,535
Per General Ledger	<u>458,535</u>
Difference	<u>-</u>

Football Gate Sales versus Deposits to General Ledger

<u>Event</u>	<u>Adult Reserve & Gate Sales</u>	<u>Cash Receipts Deposited</u>	<u>Cash Over/(Short)</u>
SCSU vs. Benedict College	\$ 83,310	\$ 82,560	\$ (750)
SCSU vs. Norfolk State University	205,365	198,930	(6,435)
SCSU vs. Hampton University	100,885	100,360	(525)
SCSU vs. Howard University	20,780	19,530	(1,250)
SCSU vs. Bethune-Cookman University	48,195	50,645	2,450
Difference			<u>\$ (6,510)</u>

Based on discussion with management, the difference is attributed to outstanding invoices for ticket sales that had not been collected at June 30, 2009.

Season Ticket Sales

Per Ticket Sales Reconciliation	351,125
Per General Ledger	<u>353,381</u>
Difference (general ledger is over)	<u>(2,256)</u>
Net un-reconciled difference	<u>\$ (2,256)</u>

The net difference is still being reconciled by ticket sales office and finance department.

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 Central Florida, Clemson University and University of Nebraska - Lincoln and agreed the revenue per the signed contracts to the game guarantee revenue recorded by the University on the general ledger.

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 Central Florida, Clemson University and University of Nebraska - Lincoln 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 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, 2009. 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, 2009.

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, 2009. 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 general ledger.

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, 2009. 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, 2009. We haphazardly selected seven student athletes; Brandon Jerome Smalls, Markus James, Sarai Torres, Brittany Shane Davis, Tandia D. Taylor, Xaiver Rafiel Woods, and Yazmin Z. Hicks, 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 seven 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 coaches and support staff employed by the Intercollegiate Athletics Program of the University. We haphazardly selected ten employees, including coaches from football and men's and women's basketball. 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:

Timothy Carter	Douglas Robertson
Donisha Johnson	Brandon Perry
Howard Feggins	Michael Adams
David Blanchard	Theo Davis
Charlene Johnson	Oliver Pough III

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

10. We compared the University's written team travel policies for the year ended June 30, 2009 to the NCAA Guidelines and determined that the written team travel policies were in compliance with the NCAA Guidelines.
11. We compared the University's written recruiting policies for the year ended June 30, 2009 to the NCAA Guidelines and determined that the written recruiting policies were in compliance with the NCAA Guidelines.
12. 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, 2009.

Management informed us the Foundation and The S.T.A.T.E. 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 S.T.A.T.E. 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, 2008. 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, 2009 and found both sets of statements to represent the same Foundation and to be in agreement.

Procedures Related to Internal Control Over Financial Reporting

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. Fifteen revenue transactions for the year ended June 30, 2009 were haphazardly selected from the University's general ledger. Each of the selected revenue transactions was 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.	F0001579	07/16/2008	\$ 21,635
2.	F0001587	07/17/2008	705
3.	F0001591	07/21/2008	4,735
4.	F0001777	08/23/2008	3,470
5.	F0001787	08/26/2008	1,405
6.	F0001918	09/09/2008	4,180
7.	F0001923	09/11/2008	50,750
8.	F0001974	09/15/2008	1,605
9.	F0002082	10/03/2008	3,280
10.	F0002194	10/28/2008	17,385
11.	F0002253	11/10/2008	11,025
12.	F0002268	11/12/2008	1,480
13.	F0002325	12/03/2008	1,020
14.	F0002820	02/11/2009	540
15.	F0002929	03/09/2009	1,250

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

14. We haphazardly selected twenty-eight cash disbursements from the general ledger accounts for the Intercollegiate Athletic Program for the year ended June 30, 2009. For each of these twenty-eight disbursements, we compared the disbursed amount and payee information to supporting documentation (i.e. invoices, receipts, purchase order and acknowledgement of receipt). The items selected were as follows:

<u>Description</u>	<u>Check Number</u>	<u>Disbursement Amount</u>
1. Kevin Magouirk	26349	\$ 148
2. Getaway Travel, LLC	26390	700
3. Samson Equipment, Inc.	26051	18,999
4. Take Ten Productions	25934	31,260
5. Time Warner Cable	26428	147
6. In Home Audio & Video	25976	2,558
7. Pigskin Club of Washington	26396	500
8. Sodexo Dining Services	175655	1,362
9. Ramada Conference Center	165234	7,312
10. Air Planning, LLC	161846	12,931
11. Holiday Inn	166228	4,892
12. Harrison, Gerald	162605	1,500
13. Lewis, Daniel S.	170394	10,746
14. Douglas Juanzell Robertson	170227	10,150
15. Champion Coach Inc.	170646	6,865
16. Sheraton	170728	214
17. Bank of America	N/A – Credit Card	299
18. Santee Inn, Best Western	166686	155
19. Marcell Harrison	169711	6,400
20. Premier Soccer	168825	11,195
21. Bank of America	N/A – Credit Card	237
22. A Sharp Production	168429	1,585
23. Mid-Eastern Athletic Conference	167894	875
24. Mid-Eastern Athletic Conference	165335	25,375
25. Orangeburg County Emergency Service	174470	250
26. Meteorlogix	170398	2,093
27. Celebrations Of Columbia	176353	407
28. Williamson Printing	169338	257

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, 2009. 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 Bekaert + Holland, C.C.P.

Charlotte, North Carolina
January 12, 2010

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

**STATEMENT OF ATHLETIC REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2009
(Unaudited)**

DESCRIPTION	FOOTBALL	BASKETBALL	OTHER SPORTS	NON PROGRAM SPECIFIC	TOTAL
Revenues					
Ticket sales	\$ 811,916	\$ 12,683	\$ -	\$ -	\$ 824,599
Direct institutional support (financial aid abatement)	123,618	138,602	411,038	38,109	711,367
Game guarantees	530,500	157,000	-	-	687,500
NCAA/Conference distributions	-	-	-	411,125	411,125
In-kind contributions	96,513	5,420	7,675	312,633	422,241
Program sales, concessions, novelty sales and parking	72,075	-	-	1,815	73,890
Student athletic fees	-	-	-	-	-
Broadcast television, radio and internet rights	-	-	-	-	-
Royalties, licensing, advertisements and sponsorship	-	-	-	-	-
Sport-camp revenues	-	-	-	-	-
Third party support	-	-	-	-	-
Other income	23,406	-	2,470	-	25,876
Total Revenue	1,658,028	313,705	421,183	763,682	3,156,598
Expenditures					
Athletic student aid	1,105,615	525,133	1,556,897	547,176	3,734,821
Game guarantees	-	-	-	-	-
Coaching salaries and benefits	685,693	580,790	205,965	76,474	1,548,922
Support staff/administrative salaries and benefits	276,266	190,704	261,941	1,495,458	2,224,369
Severance payments	-	-	-	-	-
Recruiting	2,887	-	-	1,089	3,976
Team travel	424,107	356,032	332,083	87,897	1,200,119
Equipment, uniforms and supplies	136,583	34,865	80,931	68,782	321,161
Game expenses	-	-	-	-	-
Fundraising, marketing and promotions	1,633	1,660	2,360	12,578	18,231
Sports camp expenses	-	-	-	-	-
Other travel	-	-	-	-	-
Direct facilities, maintenance and rental	41,152	26,576	28,807	212,012	308,547
Spirit groups	-	-	-	-	-
Medical expenses and insurance	-	-	-	28,137	28,137
Membership dues and fees	26,250	48,750	14,550	63,668	153,218
Other operating expenses	75,366	25,395	19,497	301,240	421,498
Total Expenditures	2,775,552	1,789,905	2,503,031	2,894,511	9,962,999
Deficiencies of Revenues over Expenditures	\$ (1,117,524)	\$ (1,476,200)	\$ (2,081,848)	\$ (2,130,829)	\$ (6,806,401)

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

Selected Notes to Statement of Athletic Revenues and Expenditures
Year Ended June 30, 2009
(Unaudited)

Note 1 – Summary of Significant Accounting Policies

The Department of Athletics (the “Department”) is responsible for the intercollegiate athletic programs of South Carolina State University (the “University”) and as such is responsible for the intercollegiate athletics program of the University. The University is classified as a NCAA Division I school. The Department’s 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 the University’s Department. It is not intended to be a complete presentation of the revenues and expenses of the University or the University’s Department. 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 – Contributions

The University received one contribution from an outside organization that exceeded ten percent of all donations to the Department during the year ended June 30, 2009. Contributions were received from the South Carolina State University Foundation, Inc. in the amount of \$422,241.

Note 3 – NCAA Legislation

In June 1985, the National Collegiate Athletics Association (NCAA) adopted legislation that required all expenses for, or on behalf of, an institution’s intercollegiate athletics program, including those by outside organizations, to be included in the Statement of Athletic Revenues and Expenditures.

In January 1987, the NCAA constitution was amended to exempt from the audit requirement those operating budgets for intercollegiate athletics of less than \$300,000.

Effective January 14, 1988, the constitution was again amended. This amendment removed the audit requirement from the NCAA constitution and incorporated its provision into three separate bylaws, which contain revisions specific to each membership division. In August 2004, the NCAA replaced the financial audit guidelines with a set of agreed-upon procedures.

As a Division 1 member of the NCAA, the University is required to have agreed-upon procedures performed on the Department’s annual Statement of Athletic Revenues and Expenditures completed by the following January 15th. NCAA bylaws require all expenses for, or on behalf of the University’s intercollegiate program, including those by outside organizations, to be included on the Department’s Statement of Athletic Revenues and Expenditures.