

**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, 2011

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

Year Ended June 30, 2011
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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 management 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 3.2.4.16 for the year ended June 30, 2011 and to assist you in your evaluation of the effectiveness of the University's internal control over financial reporting for the year ended June 30, 2011. The University's management is responsible for compliance with NCAA Bylaw 3.2.4.16 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, 2011, 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 Revenues and Expenditures to be in agreement with NCAA Guidelines for Classifications of Revenues 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, 2011 with the amounts reported on the Statement of Athletic Revenues and Expenditures for the year ended June 30, 2010. We obtained management's explanations of variances greater than both 10% of the 2010 amount and \$30,000 as follows:

- Ticket sales (Decrease of \$122,664 and 12%) – Each year's season ticket sales fluctuate based upon the team's schedule, the weather and other factors that influence game attendance.
- In-kind contributions (Increase of \$58,173 and 14%) – Contributions are primarily made through private donations and can fluctuate from year to year.
- Game guarantees (Increase of \$69,500 and 1,390%) – There was an increase in game guarantee expenses for fiscal year 2011 due to the addition of a new game guarantee of \$70,000 for one football game.
- Recruiting (Decrease of \$43,309 and 27%) – Due to decrease in budget for fiscal year 2011, there was a reduction in the number overnight recruiting trips, the number of official recruiting visits, and recruiting locations.
- Equipment, uniforms and supplies (Decrease of \$148,266 and 46%) – A new contract was entered into in fiscal year 2011 with Russell Athletic. The new contract allowed the purchase of uniforms and other Russell items at the wholesale price, which is significantly cheaper than in fiscal year 2010.
- Game expenses (Decrease of \$36,852 and 19%) – Due to decrease in budgets for fiscal year 2011, there were cutbacks made to several expense areas which included the amount spent on officials and the number of games played.
- Other operating expenses (Increase of \$156,186 and 34%) – The Athletics department covered expenses that were not required in fiscal year 2010. Such expenses include paying for a portion of the entertainment during homecoming, paying for the Title IX review and purchasing updated academic enhancement software.

We also compared the amounts reported on the Statement of Athletic Revenues and Expenditures in Attachment A for the year ended June 30, 2011 with the budgeted amounts for the year ended June 30, 2011. 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 \$30,000 as follows:

- Ticket Sales (Under budget by \$261,430 and 23%) – Each year's ticket sales fluctuate based upon the team's schedule, the weather and other factors that influence game attendance.

- Utilities (Over budget by \$66,123 and 149%) – The variance between budget and actual expense is due to an increase in rates of 17% and an increase in utility usage. The budgeted amount is only an estimate for utilities. The actual amount spent is contingent upon the current rates that are charged by the utility company and also facility usage.
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, 2011. 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 for the year ended June 30, 2011. The following is a reconciliation of gate and season ticket sales for football and basketball revenue to the general ledger as of June 30, 2011.

Gate Sales

Per Ticketmaster Audit Report (Etix report)	\$ 571,691
Per General Ledger	<u>602,774</u>
Difference	(31,083)

Season Ticket Sales

Per Ticket Sales Reconciliation	371,530
Per General Ledger	<u>338,555</u>
Difference	<u>32,975</u>

Net un-reconciled difference	<u><u>\$ 1,892</u></u>
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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, including a football game against Georgia Institute of Technology, a basketball game against The University of South Carolina and the 2010 Las Vegas Holiday Classic. For each game, we compared the revenue per the signed contracts to the game guarantee revenue recorded by the University on the general ledger.

We found the amounts recorded in the general ledger for game guarantee revenue described above 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 found none. The only contribution revenue reported was that from the South Carolina State University Foundation, Inc. (the "Foundation").

We confirmed directly with responsible officials of the Foundation the amount of contributions revenue reported in Attachment A. The officials indicated that 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, 2011. 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, 2011.

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 NCAA/Mid-Eastern Athletic Conference for the year ended June 30, 2011. 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, 2011. 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, 2011. We haphazardly selected seven student athletes; Brandon J. Smalls, Andre T. McArther, Trinese E. Fox, Juakeenia J. Gleaton, Levar M. Knight, Alexandria M. Miller, and Addi N. McLaren, 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:

Michael Adams	Charlene Johnson
George Brisbon	Briana Newman
Timothy Carter	Oliver Pough
Diane Floyd	Douglas Robertson
William Hamilton	Michael Walton

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, 2011 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, 2011 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, 2011.

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 program 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, 2010. Since the year end of the Foundation differs from the year end on the Statement of Athletic Revenues and Expenditures, we were unable to agree the amounts reported in the audited financial statements of the Foundation to the amounts reported in the Statement of Athletic Revenues and Expenditures; however, we were able to confirm directly with the Foundation that the amounts reported in the Statement of Athletic Revenues and Expenditures were in agreement with the Foundation's records (see procedure 6 above).

Procedures Related to Internal Control Over Financial Reporting

13. 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 management regarding 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 procedures enumerated in procedures 14 and 15 below.

14. Fifteen revenue transactions for the year ended June 30, 2011 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:

<u>Reference</u>	<u>Date</u>	<u>Amount</u>	<u>Reference</u>	<u>Date</u>	<u>Amount</u>		
1	F0006916	11/09/2010	\$315.00	9	F0005925	07/06/2010	\$1,435.00
2	F0007372	02/07/2011	\$10,280.00	10	F0007022	12/01/2010	\$46,465.00
3	F0006745	10/14/2010	\$4,920.00	11	F0006895	11/04/2010	\$7,550.00
4	F0006143	08/10/2010	\$2,730.00	12	F0006725	10/12/2010	\$3,700.00
5	F0006119	08/04/2010	\$2,635.00	13	F0005941	07/09/2010	\$1,200.00
6	F0006505	09/09/2010	\$550.00	14	F0006802	10/25/2010	\$6,795.00
7	F0006802	10/25/2010	\$100,105.00	15	F0006083	07/28/2010	\$1,500.00
8	F0006517	09/13/2010	\$14,095.00				

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

15. We haphazardly selected fifteen cash disbursements from the general ledger accounts for the Intercollegiate Athletic Program and detail of expenditures paid for by the Foundation for the year ended June 30, 2011. For each of these fifteen 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:

	Description	Check Number	Date	Amount
1	Office Max	193839	9/1/2010	\$415.98
2	Lynda.com	200161	2/8/2011	\$375.00
3	War Machine Inc.	196013	9/30/2010	\$1,669.00
4	Sammons Preston	206090	6/30/2011	\$178.89
5	Harward, Craig A..	197288	11/2/2010	\$750.00
6	Sidearms Sports	193584	8/25/2010	\$4,349.99
7	Ontario Investments Inc	192757	7/29/2010	\$965.69
8	Cindy B. Kinard Design	202021	2/28/2011	\$250.00
9	Precision Time	198329	11/30/2010	\$245.17
10	Major Graphics LLC	198540	12/6/2010	\$2,508.40
11	Major Graphics	30111	11/16/2010	\$850.65
12	Maurice Bell	28152	10/8/2010	\$7,000.00
13	Sign A Rama	30538	3/8/2011	\$7,406.25
14	Millicent Sylvan	28163	10/11/2010	\$4,828.00
15	Take Ten Productions	27999	9/3/2011	\$6,760.00

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 3.2.4.16 or on the effectiveness of South Carolina State University Intercollegiate Athletic Department's internal control over financial reporting for the year ended June 30, 2011. 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 this specified party.

Cherry, Bekaert & Holland, L.L.P.

Charlotte, North Carolina
December 14, 2011

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

Attachment A

**STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011
(Unaudited)**

	FOOTBALL	BASKETBALL	OTHER SPORTS	NON PROGRAM SPECIFIC	TOTAL
Revenues					
Ticket sales	\$ 878,250	\$ 10,854	\$ -	\$ -	\$ 889,104
Direct institutional support (financial aid abatement)	190,727	141,438	422,914	11,876	766,955
Game Guarantees	550,300	-	-	-	550,300
In-kind contributions	77,083	70,187	9,828	313,990	471,088
NCAA/Conference distributions	-	-	-	391,395	391,395
Program sales, concessions, novelty sales and parking	68,930	-	-	19,198	88,128
Other income	37,218	-	-	-	37,218
Total Revenue	1,802,508	222,479	432,742	736,459	3,194,188
Expenditures					
Athletic student aid	1,313,669	611,821	1,505,381	462,721	3,893,592
Coaching salaries and benefits	865,812	675,393	313,363	560,428	2,414,996
Support/administrative staff salaries and benefits	99,859	21,241	286,518	932,138	1,339,756
Team Travel	212,081	196,439	289,255	30,893	728,668
Direct facilities, maintenance and rental	76,254	5,252	16,399	147,114	245,019
Equipment, uniforms and supplies	59,572	20,696	42,867	49,260	172,395
Game expenses	54,747	87,998	16,621	1,690	161,056
Recruiting	13,915	48,182	10,726	46,140	118,963
Game guarantees	70,000	4,500	-	-	74,500
Membership dues and fees	2,760	-	7,017	58,380	68,157
Medical expenses and insurance	18,909	-	-	28,773	47,682
Fundraising, marketing and promotions	6,451	3,477	4,137	11,658	25,723
Other operating expenses	92,820	75,147	25,448	415,623	609,038
Total Expenditures	2,886,849	1,750,146	2,517,732	2,744,818	9,899,545
Deficiencies of Revenues over Expenditures	\$ (1,084,341)	\$ (1,527,667)	\$ (2,084,990)	\$ (2,008,359)	\$ (6,705,357)

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

Selected Notes to Statement of Athletic Revenues and Expenditures
Year Ended June 30, 2011
(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”). 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, 2011. Contributions were received from the South Carolina State University Foundation, Inc. in the amount of \$471,088.

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.