

**University of South Carolina - Columbia
Department of Athletics**

***Independent Accountant's Report On
Applying Agreed-Upon Procedures***

For the year ended June 30, 2014

University of South Carolina - Columbia
Department of Athletics
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Independent Accountant's Report on Applying Agreed-Upon Procedures

The Audit and Compliance Committee
University of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the Audit and Compliance Committee and management of the University of South Carolina - Columbia Department of Athletics (the Department), solely to assist the Department's management in its evaluation of compliance with National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the fiscal year ended June 30, 2014. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Per your instructions, this report includes only those exceptions exceeding \$100,000 unless otherwise specified below.

Procedures Related to the Statement of Revenues, Expenses, and Transfers

AGREED-UPON PROCEDURE #1

We obtained from the Department's management the Statement of Revenues, Expenses and Transfers (the Statement) for the year ended June 30, 2014, as shown in Attachment A of this report. We footed and cross-footed of the Statement and compared actual revenues and expenses in the Statement to the prior year amounts (fiscal year 2013). We inquired of management to obtain explanations for variances greater than 10% and \$100,000 compared to the prior year.

Findings:

Management's explanations for the variances are as follows:

Revenues:

Contributions - Increased by \$4,316,110, or 17%. The increase is attributable to \$2,300,000 received from the University of South Carolina Educational Foundation (the Foundation) to offset expenses related to capital projects. The Department did not withdraw such funds in fiscal year 2013. Gamecock Club membership increased by approximately 2,000 members from fiscal year 2013 to fiscal year 2014 resulting in an additional \$875,000 of contributions for fiscal year 2014. The increase was also attributable to an additional \$930,000 in Yearly Equity Seat (YES) Donations received in fiscal year 2014 as opposed to fiscal year 2013 as season football ticket sales increased by approximately 3,000 season tickets from fiscal year 2013.

Findings, Continued:

Management's explanations for the variances are as follows (continued):

Direct Institutional Support - Increased by \$3,039,304 or 100%. This amount relates to out-of-state exemptions provided to the Department by the University. This amount was not reported in the Statement for fiscal year 2013.

Broadcast TV, Radio and Internet - Decreased by \$233,457 or 47%. The decrease is attributable to \$300,250 reported as third party compensation revenue as opposed to broadcast, TV, radio and internet revenue in fiscal year 2013. In addition, the IMG rights fee increased by \$200,000 from fiscal year 2013. The Department also received \$5,000 in incentives from IMG for the women's basketball NCAA Sweet 16 appearance. Lastly, the decrease is attributable to a one-time NCAA media rights fee received in fiscal year 2013.

Endowment and Investment Income - Decreased by \$635,777 or 61%. The decrease is attributable to a one-time adjustment in the amount of \$410,000 to correct the accounting for the Ernest Brooks endowment. In addition, the Department earned interest of \$145,000 on a loan to the Education Foundation in fiscal year 2013; the principal of the loan was paid in full during fiscal year 2013.

Other Operating Revenues - Decreased by \$662,905 or 17%. The decrease is attributable to the Kenny Chesney concert being held at Williams Brice Stadium during fiscal year 2013. The show resulted in approximately \$600,000 in revenue during fiscal year 2013. There were no stadium shows during fiscal year 2014.

Expenses:

Athletic Student Financial Aid - Increased by \$3,187,938 or 35%. The increase is attributable to the out-of-state tuition waivers in the amount of \$3,039,304 which were not included in the Statement for fiscal year 2013. The increase is also attributable to the addition of sand volleyball during fiscal year 2014 which resulted in \$202,699 in expenses for fiscal year 2014.

Guarantees - Decreased by \$496,546 or 24%. During fiscal year 2013, the Department paid guarantees to East Carolina University, Wofford College, and University of Alabama-Birmingham in the amounts of \$250,000, \$250,000 and \$900,000, respectively. During fiscal year 2014, the Department paid guarantees to Coastal Carolina University, University of North Carolina and Clemson University in the amounts of \$375,000, \$300,000 and \$250,000, respectively.

Coaching Salaries, Benefits and Bonuses Paid by the University and related entities- Increased by \$2,107,260 or 20%. The increase is attributable to fiscal year 2013 bonuses paid in 2014 for Academic Progress Rates, Competition, and other additional incentive based bonuses in the amounts of \$374,500, \$98,000 and \$411,750, respectively. The increase is also attributable to football, women's basketball, and sand volleyball coaching staff raises and salaries of \$599,000, \$187,000, and \$144,000, respectively. There was also additional accrued leave for fiscal year 2014 of \$204,900.

Team Travel - Increased by 568,672 or 10%. The increase is attributable to a reclassification during fiscal year 2014. Team meals, not including scholarship meal plans, had previously been reported as student athlete financial aid expense. During fiscal year 2014, \$466,000 was reclassified to team travel expense per the instructions provided by the NCAA. The increase was also attributable to \$39,000 of sand volleyball team travel expenses; the sport was new during fiscal year 2014.

Expenses, Continued:

Fund Raising, Marketing and Promotion - Increased by 1,206,087 or 51%. The increase is attributable to a lawsuit during fiscal year 2014. The Department was required to issue a refund to George Lee for seat donations previously paid as a lifetime Gamecock Club member. The Department made the decision to voluntarily refund the seat donations to all lifetime Gamecock Club members that elected to receive resulting in an additional \$1,264,000 in expenses during fiscal year 2014.

Direct Facilities and Administrative Support - Decreased by \$2,416,282 or 14%. As a result of the refunds to lifetime Gamecock Club members and the increase in resources committed for salary increases, the Department decreased capital project expenditures by \$1,353,000. At the end of each fiscal year, the Department funds the debt service account with any remaining funds. There was a decrease of funds remitted to the debt service account of \$1,900,000 in fiscal year 2014. In addition, the Department had been receiving \$280,000 each fiscal year to offset arena related expenses. This annual offset was ended during fiscal year 2013. There were also increases of \$95,000 and \$212,000 for additional maintenance expenses related to landscaping services at Carolina Park and other athletic facilities maintenance.

Transfers to Institution - Increased by \$1,617,804 or 159%. The increase is attributable to a \$1,000,000 increase in support the Department provides to the University from the SEC and TV funds during fiscal year 2014. In addition, during fiscal year 2013 that same transfer was reduced by \$883,000 as the Department paid for repairs to the President's plane. Lastly, during fiscal year 2013 the full scholarship funding from the sale of Georgia tickets was shown as a transfer. During fiscal year 2014, one half is shown as a transfer and the other is shown as ticket revenue resulting in \$285,000 decrease from fiscal year 2013.

AGREED-UPON PROCEDURE #2

We obtained the Statement and compared all revenues, expenses and transfers to management's worksheets and compared the amounts on management's worksheets to the related series of accounts in the Department's general ledger.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #3

We compared the revenue from football and men's basketball ticket sales per the Department's general ledger to the Department's ticketing system's Event Audit Reports for the year ended June 30, 2014.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #4

We obtained the University's calculation of student athletic fees for the fiscal year ended June 30, 2014 and performed the following procedures:

- a. Recomputed the University's calculation.
- b. Compared student enrollment used in the calculation to the University's official enrollment data obtained from the Institutional Assessment and Compliance (IAC) for the Fall 2013 and Spring 2014 semesters.
- c. Compared the total of the University's calculation for student athletic fees to the Statement.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #5

We selected the settlement statement from the University of Central Florida away football game and attempted to select one settlement statement for men's basketball from a schedule provided by the Department. We compared the settlement revenue on the schedule provided by the Department to the amount specified in the game agreement and related contract with the University of Central Florida.

Findings:

We found no exceptions as a result of these procedures. Per management, there were no settlement statements for men's basketball away games during the current year.

AGREED-UPON PROCEDURE #6

We obtained a schedule of contributions for the year ended June 30, 2014 and identified any contributions in excess of 10% of total contributions.

Findings:

We noted no individual contributions in excess of 10% of total contributions.

AGREED-UPON PROCEDURE #7

We compared the direct institutional support recorded by the Department during the year ended June 30, 2014 with State appropriations, institutional authorizations and/or other corroborative supporting documentation.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #8

We obtained from the Department a report detailing all third-party support revenue recorded by the Department for the year ended June 30, 2014. We haphazardly selected three coaches from the report. For each coach selected, we compared the third-party support revenue on the schedule provided by the Department to amounts specified in the related Under Armor and Gamecock Sports Properties contracts. We footed and cross-footed the schedule of the third-party support revenue per the report provided by the Department.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #9

We obtained the revenue distribution agreements from the Southeastern Conference and Capital One Bowl detailing revenue distributions for the football and men's basketball teams. We compared the settlement revenue on the schedule provided by the Department to amounts reported in the revenue distribution agreements.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #10

We obtained a detail of contracts for broadcast television, radio and internet rights for the year ended June 30, 2014 and judgmentally selected two contracts. For each contract selected, we compared the amounts reflected in the contracts with International Sports Properties, Inc. and Under Armour to the corresponding revenue amounts in the Statement.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #11

We obtained a detail of contracts for royalties, licensing, advertisements, and sponsorships for the year ended June 30, 2014 and judgmentally selected two contracts. For each contract selected, we compared the amounts reflected in the contracts with International Sports Properties, Inc. and Under Armour to the corresponding revenue amounts in the Statement.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #12

We haphazardly selected two guarantees for visiting teams from a schedule provided by the Department. For each of these guarantees, we compared the guarantee expenses on the schedule to the amounts specified in game contracts.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #13

We obtained a listing of Department coaches employed by the Department for the year ended June 30, 2014. From this listing, we haphazardly selected three men’s sport and three women’s sport coaches. For each of the selected coaches, we compared the recorded salary expense, including salary, benefits, and bonuses paid by the Department per the Department’s general ledger to the employees’ contracts.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #14

We obtained a listing of Department coaches who received other compensation and benefits paid by a third party during the year ended June 30, 2014. From this listing, we haphazardly selected two coaches and compared the compensation and benefits paid by the third party to amounts specified in each respective employee contract.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #15

We obtained a listing of support staff/administrative employees who were employed by the Department for the year ended June 30, 2014. From this listing, we selected three support/administrative staff and compared their recorded salary, benefits and bonuses, if any, from the general ledger to their employment contracts.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #16

We obtained a listing of support staff/administrative salaries, benefits and bonuses paid by a third party during the year ended June 30, 2014. From this listing, we haphazardly selected two support/administrative staff and compared the compensation and benefits paid by the third party to amounts specified in each respective employee contract.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #17

We obtained a listing of employees who received severance payments during the year ended June 30, 2014 and compared each severance payment amount to the Statement.

Findings:

Per management, there were no severance payments made during the year. We noted no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #18

We obtained a copy of the Department’s team recruiting expense policies and compared it to related policies documented in the NCAA Division I Manual.

Findings:

Based on the inspection of these documents, requirements are substantially the same.

AGREED-UPON PROCEDURE #19

We obtained a copy of the Department’s travel expense policies and compared it to related policies documented in the NCAA Division I Manual.

Findings:

Based on the inspection of these documents, requirements are substantially the same.

For procedures 20 through 24 all exceptions are reported regardless of dollar amount.

AGREED-UPON PROCEDURE #20

We randomly selected a sample of twenty-five receipts for the year ended June 30, 2014 from the Department’s point of sale units located in the ticket office. For each receipt selected, we performed the following procedures:

- a. Compared the receipt to the daily cash receipts report,
- b. Compared the daily cash receipts report to the validated deposit slip,
- c. Compared the receipt to posting in the general ledger, and
- d. Haphazardly sub-selected three receipts for each day and compared the ticket application to the Department’s Archtics ticketing system.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #21

We randomly selected twenty-five contribution receipts for the year ended June 30, 2014 from a contribution report provided by the Department and compared the amount of the contribution and donor information per the report to supporting check copies and receipts.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #22

We randomly selected twenty-five cash disbursements for the year ended June 30, 2014 from a check register provided by the Department. For each selected cash disbursement, we compared the disbursed amount and payee information to supporting invoices and inspected each disbursement's voucher package for the signature of the Department supervisor.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #23

We obtained from management for the fiscal year ended June 30, 2014 a detail of Department endowments and a detail of endowment expenses. From the detail of Department endowments we haphazardly selected two endowments and performed the following procedures:

- a. Haphazardly selected five transactions from the detail of endowment expenses and obtained the related invoice.
- b. Compared the description of the goods or services reflected in the invoices obtained in procedure "a" to stipulations noted in the selected endowment's agreement.

Findings:

We found no exceptions as a result of these procedures.

AGREED-UPON PROCEDURE #24

We haphazardly selected three student athletes who received athletic student financial aid during the year ended June 30, 2014 from a schedule provided by the Department. For each student athlete selected, we obtained a Banner detail of financial activity for each student's account and compared the total aid awarded per the detail to an award letter.

Findings:

We found no exceptions as a result of these procedures.

We were not engaged to, and we did not, perform 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 described in this report. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we conducted an audit or review of the financial statements of the Department or any part thereof, 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 Audit and Compliance Committee and management of the University of South Carolina - Columbia Department of Athletics and is not intended to be and should not be used by anyone other than these specified parties.



Columbia, South Carolina
December 5, 2014

University of South Carolina - Columbia
Department of Athletics
Statement of Revenues, Expenses and Transfers (Unaudited)
For the year ended June 30, 2014

	Football	Men's Basketball	Women's Basketball	Other Sports	Non- Program Specific	Total
REVENUES						
Admissions/ticket sales	\$ 18,429,618	\$ 1,067,730	\$ 117,155	\$ 1,572,536	\$ 159,707	\$ 21,346,746
Student athletic fees	-	-	-	-	2,592,673	2,592,673
Guarantees	300,000	-	-	2,500	-	302,500
Contributions	13,860,877	268,670	1,230	705,174	15,367,800	30,203,751
Compensation and benefits provided by a third party	3,525,000	1,400,000	500,000	175,000	150,000	5,750,000
Direct institutional support	949,501	156,158	118,204	1,791,722	23,718	3,039,303
NCAA/Conference distributions	15,460,939	5,149,203	150,360	140,476	2,002,561	22,903,539
Broadcast television, radio and internet rights	5,000	-	5,000	-	250,000	260,000
Program, concession, novelty sales and parking	3,143,872	4,609	860	365,310	647,492	4,162,143
Royalties, licensing, advertisements and sponsorships	22,700	6,624	34,445	161,550	4,042,525	4,267,844
Sports camp revenues	-	-	-	-	31,049	31,049
Endowment and investment income	-	-	-	-	405,198	405,198
Other operating revenues	2,263	-	12,225	407,214	2,933,031	3,354,733
Total revenues	55,699,770	8,052,994	939,479	5,321,482	28,605,754	98,619,479
EXPENSES						
Athletic student financial aid	3,924,715	638,905	555,207	6,846,982	464,902	12,430,711
Guarantees	925,000	460,571	101,451	100,821	-	1,587,843
Coaching salaries, benefits, and bonuses paid by the University and related entities	4,591,353	2,099,515	1,323,568	4,663,117	-	12,677,553
Coaching salaries, benefits, and bonuses paid by a third party	3,525,000	1,400,000	500,000	175,000	-	5,600,000
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	1,519,847	437,827	304,682	575,142	14,622,110	17,459,608
Support staff/administrative salaries, benefits, and bonuses paid by a third party	-	-	-	-	150,000	150,000
Severance payments	-	-	-	-	-	-
Recruiting	347,081	213,913	110,356	526,776	-	1,198,126
Team travel	2,003,782	780,800	664,060	2,720,263	-	6,168,905
Equipment, uniforms and supplies	1,322,179	232,533	107,270	1,422,163	98,042	3,182,187
Game expenses	3,764,331	561,196	414,211	1,718,416	498,647	6,956,801
Fund raising, marketing and promotion	60,399	38,762	72,335	32,217	3,377,604	3,581,317
Sports camp expenses	-	-	-	-	97,637	97,637
Direct facilities and administrative support	3,749,372	138,258	251,817	2,347,699	7,766,461	14,253,607
Spirit groups	96,552	-	-	-	520,221	616,773
Medical expenses and insurance	-	-	-	-	931,642	931,642
Memberships and dues	3,304	896	2,735	38,270	40,963	86,168
Other operating expenses	354,437	60,960	69,754	358,923	7,939,834	8,783,908
Total expenses	26,187,352	7,064,136	4,477,446	21,525,789	36,508,063	95,762,786
TRANSFERS TO INSTITUTION	-	-	-	-	2,636,306	2,636,306
Excess (deficiencies) of revenues over (under) expenses and transfers	\$ 29,512,418	\$ 988,858	\$ (3,537,967)	\$ (16,204,307)	\$ (10,538,615)	\$ 220,387

UNIVERSITY OF SOUTH CAROLINA - COLUMBIA
DEPARTMENT OF ATHLETICS
NOTES TO STATEMENT OF REVENUES, EXPENSES AND TRANSFERS
(UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The University of South Carolina – Columbia Department of Athletics (the Department) is an auxiliary enterprise of the University of South Carolina (the University) and as such is responsible for the Intercollegiate Athletic Program of the University. The Department's transactions are reported in the University's unrestricted current funds in the auxiliary enterprises subgroup.

Basis of Presentation - The accompanying Statement of Revenues, Expenses and Transfers (the Statement) presents the recorded amounts of revenues, expenses and transfers of the University of South Carolina - Columbia's Department of Athletics. It is not intended to be a complete presentation of the revenues, expenses and transfers of the University of South Carolina or the University of South Carolina - Columbia campus. The Statement has been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses when supplies or services are received.

Indirect costs, including general administrative costs, maintenance, and other related costs, are not allocated because the Department pays explicitly for Department services.

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts that are restricted by the donor are reported as deferred revenue until such time as the restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished).

Student Fees - For the year ended June 30, 2014, the University provided revenue (funding) to the Department for estimated athletic event tickets provided to students. This revenue is calculated by the estimated undergraduate student head count and a guaranteed associated relief payment. The Department recognized \$2,592,673 in student athletic fees for the year ended June 30, 2014.

Athletic Student Aid - The Statement includes athletic financial assistance awards for students participating in athletic programs. Financial assistance awarded to athletic participants on the basis of other criteria, such as need or academic excellence, is not reflected in the Statement.

NOTE 2 - 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 revenues, expenses and transfers.

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

In January 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.

**UNIVERSITY OF SOUTH CAROLINA - COLUMBIA
DEPARTMENT OF ATHLETICS
NOTES TO STATEMENT OF REVENUES, EXPENSES AND TRANSFERS
(UNAUDITED)**

NOTE 2 - NCAA LEGISLATION, Continued

As a Division I member of the NCAA, the Department is required to have agreed-upon procedures performed on the Statement each year. NCAA bylaws require all expenses for, or on behalf of, the University's Intercollegiate Athletics Program, including those by outside organizations, to be included on the Statement.

NOTE 3 - CAPITAL EXPENDITURES

During fiscal year 2014, the University capitalized approximately \$7,755,000 for Department capital projects. Capital expenditures totaling approximately \$948,000 were included in the current year Statement under direct facilities and administrative support. The remaining \$6,807,000 of capital expenditures were not included in the current year Statement as these amounts were funded by the Department in previous years through transfers to the University or were paid by other University funds.

NOTE 4 - OUTSIDE ORGANIZATIONS

The Gamecock Club is a 501(C)(3) organization with its own charter and Board which has as its primary mission to promote intercollegiate athletics at the University of South Carolina through scholarship fundraising, general fundraising and awareness of the University's athletic program. Certain activities of the Gamecock Club have been included in the Statement.

NOTE 5 - UNEARNED REVENUE

The Department collected Fall 2014 ticket revenue on or before June 30, 2014 of approximately \$11,179,000. Recognition of these revenues has been deferred until the year ended June 30, 2015. The Statement for the year ended June 30, 2014 reflects approximately \$9,750,000 in revenues which were collected on or before June 30, 2013 and which were reflected as unearned revenue at June 30, 2013. This amount is included in ticket sales in the Statement.

NOTE 6 - REVENUE CONCENTRATION

The Department received significant revenue from the Southeastern Conference and the Gamecock Club. These two revenue sources and amounts are included in the Statement. The Southeastern Conference provided revenue in distributions totaling approximately \$21,138,000. The Gamecock Club provided approximately \$13,890,000.