

SOUTH CAROLINA STATE UNIVERSITY

Intercollegiate Athletics Program

Year Ended June 30, 2007

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 Revenues and Expenses of the Intercollegiate Athletic Program of The University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2007 and to assist you in your evaluation of the effectiveness of The University's internal control over financial reporting as of June 30, 2007. Management of The University 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 specific users of this 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.

Procedures Related to the Statement of Revenues and Expenses

1. We obtained the Statement of Revenues and Expenses for the year ended June 30, 2007, as prepared by management 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 Revenues and Expenses.

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

2. 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: Dayton University, University of Georgia and the University of South Carolina 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 Dayton University, the University of Georgia and the University of South Carolina games to be in agreement with the signed game guarantee contract.

3. We confirmed directly with responsible officials of The South Carolina State University Foundation, Inc. the amount of contribution revenue remitted to The University for the year

ended June 30, 2007. We compared the amount of contribution revenue confirmed by The South Carolina State University Foundation, Inc. with the amount recorded on The University's general ledger for the year ended June 30, 2007.

We found the amount per the confirmation and the general ledger was in agreement.

4. We scanned the University's general ledger for individual contributions that constituted more than ten percent of the contribution revenue included in Attachment A. We compared the amount per the general ledger to the corresponding amount in Attachment A.

We found one individual contribution that constituted more than ten percent of the contribution revenue included in Attachment A. The contribution was from South Carolina State University Foundation, Inc. We found Attachment A and the general ledger were in agreement.

5. We obtained the Ticketmaster Audit Report for each of the home football games played during the year ended June 30, 2007. From these reports we haphazardly selected the Howard University game and the Norfolk State University game for additional testing. For these games we compared the ticket revenue, net of sales tax, per the Ticketmaster audit report with the amount of ticket revenue recorded in the general ledger.

The amount per the Ticketmaster Audit Report was \$ 325 less than the amount recorded in the general ledger for the Howard University game. The amount per the Ticketmaster Audit Report was \$ 5,330 less than the amount recorded in the general ledger for the Norfolk State University game.

6. We reviewed and documented our understanding of the University's team travel policies and reviewed for compliance with NCAA Guidelines and the University's travel policies and determined that the team travel policies were in compliance with the University's travel procedures and the NCAA-related guidelines.
7. For coaching salaries and benefits expense and support staff/administrative salaries and benefits expense we obtained a detail listing of employees whose salaries are charged to the Intercollegiate Athletics Program and the corresponding salary and benefit amounts paid and compared the amounts per the detail to the corresponding amounts reported in the Statement of Revenue and Expenses in Attachment A and in the general ledger.

We found Attachment A and the general ledger to be in agreement with the detail.

Procedures Related to Internal Control Over Financial Reporting

We obtained a copy of the Policy and Procedures Manual relating to South Carolina State 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:

1. Twelve revenue transactions for the year ended June 30, 2007 were haphazardly selected from South Carolina State 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. J0701111	August 21, 2006	\$ 26,695.00
2. PY000015	February 28, 2007	175.00
3. PY000010	January 29, 2007	487.21
4. PY000004	January 12, 2007	1,641.40
5. PY000001	December 20, 2006	927.10
6. J0700389	February 28, 2007	59,480.00
7. J0700317	February 7, 2007	11,020.00
8. F0000142	January 30, 2007	30,000.00
9. F0000082	October 24, 2006	24,240.00
10. F0000023	August 11, 2006	4,410.00
11. J0700389	February 28, 2007	71,352.82
12. J0700330	February 13, 2007	3,000.00

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

- We haphazardly selected ten employees paid from the Intercollegiate Athletic Program for the year ended June 30, 2007 from the EBC440 report generated by the accounting system. 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:

Mary M. Hill	Derrick Green
William P. Hamilton	Latroy D. Johnson
Ray A. Martin	Oliver W. Pough III
Carla B. Mitchell	Gilbert J. Brown
Willie J. Jones	Sandra M. Dobson

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

- We haphazardly selected twenty-five cash disbursements from the general ledger accounts for the Intercollegiate Athletic Program for the year ended June 30, 2007. For each of these twenty-five disbursements, we compared the disbursed amount and payee information to supporting documentation (i.e. receipts, invoices and acknowledgement of receipt). The items selected were as follows:

Description	Check Number	Disbursement Amount
1. Treasurer Virginia Tech	126881	\$ 600.00
2. Enterprise Rent-A-Car	136429	503.94
3. T&T Sports	126407	12,762.62
4. First Class Construction	125731	42,491.74
5. Medallion Athletic Products	126799	1,279.00
6. Plastag Corporation	132290	2,247.47
7. A Sharp Production	131941	5,400.00
8. Citadel Broadcast Production	124699	3,325.00
9. Sodexo Dining Services	119496	5,826.32
10. Global Airline Services, Inc.	124271	32,242.50
11. Home Team Athletics	126204	16,040.75
12. Cardinal Health	136638	125.13
13. Arrington, Richard C.	135066	3,075.00
14. Florida A&M University	130722	950.00
15. Econoline Products, Inc.	137802	72.30
16. Columbia Industries, Inc.	136108	524.26
17. D'Vine Images Production	124752	2,396.37
18. Bill Wise Printers	127053	843.76
19. Osi Education Services, Inc.	124996	215.00
20. Mitchell, Carla B.	125059	262.32
21. Pooler, Adeanah L.	130948	97.13
22. Mitchell's Formal Wear	134301	175.00
23. East/West Golf Classic	127513	700.00
24. AAA Carolinas/Charleston	125076	31,094.00
25. SCSU Golden Key Honor Society	126713	424.80

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

We also obtained the NCAA Guidelines for Classification of Revenues and Expenditures and compared those with the classification on the Statement of Revenues and Expenses to ensure compliance. No exceptions were noted.

4. We compared the amounts reported on the Statement of Revenues and Expenses in Attachment A for the year ended June 30, 2007 with the budgeted amounts for the year ended June 30, 2007. 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:

- Ticket sales - Five home games were played in fiscal year 2007 and only four games in fiscal year 2006.
- Parking - This amount included homecoming tailgating fees and were \$ 50.00 higher than the previous year.

- 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.
- Game guarantees – Game guarantees vary from year to year. Neither of the amounts listed correlated game guarantees for fiscal year 2007.
- SCSU Foundation and S.T.A.T.E Club In-Kind – There is no budget given for the SCSU Foundation. Funds are carried over from prior years, and funds are spent according to their availability.
- 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 income – 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 – Additional coaches were hired in accordance with NCAA standards, especially with respect to football.
- Other salaries – Additional positions were created, such as the Internal Operations and Senior Associate AD positions.
- Fringe benefits – The increase in fringe benefits is a reflection of increases in the coaching staff and other personnel.
- Other supplies – The increase in supplies is a reflection of increases in other personnel.
- Other contractual services – Items listed under other contractual services should be included with team travel, as they are both funded by the same pool.
- Team travel – Item listed under other contractual services should be included with team travel, as they are both funded by the same pool.
- Recruiting travel – Increased recruiting travel is a direct reflection of the increase in coaching staff.
- Other travel – Less conferences were attended by other personnel of the Athletics Department.
- Fixed charges – Student-athlete insurance was transferred to the finance division; therefore expenditures were no longer shown under Athletics.

- Utilities – Five home games were played in fiscal year 2007 and only four games in fiscal year 2006.
 - 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.
5. We compared the amounts reported on the Statement of Revenues and Expenses in Attachment A for the year ended June 30, 2007 with the amounts reported on the Statement of Revenues and Expenses for the year ended June 30, 2006. We obtained management's explanations of variances greater than both 10% of the 2006 amount and \$10,000 as follows:
- Ticket sales – There were five home games in fiscal year 2007 as compared to four home games in fiscal year 2006.
 - Parking – Homecoming tailgating was included and was \$ 50.00 more than the previous year.
 - NCAA/Conference distribution – The Academic Enhancement revenue for the subsequent fiscal year normally arrives in mid-June. These funds appear in fiscal year 2007 but it should have been recorded for fiscal year 2008. The amount was \$ 60,800.
 - Mid East Athletic Conference – 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 wards, etc.
 - Game guarantees – In fiscal year 2006, the South Carolina State University football team participated in the SWAC Challenge which generated revenue of \$ 150,000.
 - SCSU Education Foundation and S.T.A.T.E. Club-In Kind – In fiscal year 2006, all athletic related accounts were combined. However, in fiscal year 2007, these accounts were separated. Therefore, reported are only the funds provided for athletic operations and do not include other accounts housed in the Foundation. Furthermore, the totals reported include carryover funds. The carryover funds decreased from fiscal year 2006 to fiscal year 2007 due to more expenditures to include approximately \$ 60,000 spent for summer school in fiscal year 2007.
 - Advertising – There was no full-time marketing director in place to solicit revenue in fiscal year 2007.
 - Other miscellaneous income – 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.

- Donations – Donations are based on the funds received by individuals or other entities. This amount varies depending on what individuals decide to give from year to year.
- Coaches' salaries – In fiscal year 2006, there was a higher turnover rate for coaches, especially for football (five). Prior to fiscal year end, new coaches were hired to replace the other coaches who would not be returning. Therefore, there were expenditures for the new coaches from their start dates through June 30, 2006 as well as expenditures for the coaches who would not be returning. The coaches not returning must remain on the payroll through the fiscal year end, per their contracts. In fiscal year 2007, the turnover rate was not as high (i.e. less funds were spent on coach's salaries).
- Other salaries – Additional staff such as Senior Associate Athletics Director, Internal Operations Coordinator, full-time Marketing Director, an additional trainer, more tutors, etc. were employed in fiscal year 2007.

Fringe benefits – Increase is a reflection of the staff increases mentioned above.

- Uniforms and clothing supplies – Each team does not purchase new uniforms each year. Some teams order new uniforms in alternating years. Furthermore, some teams get a certain number of uniforms free each year. Depending on recruiting and the number of student-athletes on each team, funds actually spent for uniforms and supplies on a yearly basis will fluctuate.
- Other supplies – With the additional staff, more supplies were ordered to include computers, office furniture, office supplies, etc.
- Telephone – Fewer calls were made from the land lines using the access codes because more coaches used their department cell phones to make these calls, such as for recruiting.

Other contract services – Cell phone usage increased with the emergence of texting as a form of recruiting. With more and more coaches on the road for games, conferences and recruiting, usage also continued to increase. Furthermore, with the new positions added in fiscal year 2007, more phones were added. Also, we incur contractual expenses as a result of the Lowcountry Classic held in Charleston, South Carolina.

- Advertising and promotion – Less advertising and marketing/promotions were done during fiscal year 2007.
- Other Travel – More coaches began to use texting as a form of recruiting; thus, fewer funds spent for travel.
- Insurance – We had more claims in fiscal year 2007 than in fiscal year 2006.
- Membership dues and fees – With the increase in staff, there was an increase in membership dues and fees that were paid for these individuals.

- Fixed charges – More copying services were contracted to local printers thus driving down the number of copies made using the department copiers.
 - Equipment purchases – The storage building was purchased in fiscal year 2006 for the equipment managers.
 - Utilities – Increased utility rates and the increased number of events such as the High School Championships and various other events that took place at the stadium during fiscal year 2007.
 - Financial aid scholarships – Due to the APR requirements, more student-athletes were required to attend summer school, thus, more support scholarships were provided for the summer for student athletes.
 - Admission tax – In fiscal year 2006, we expensed the admissions tax, while in fiscal year 2007, we netted it against the revenue.
6. 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, 2007.

Management informed us South Carolina State University Foundation, Inc. (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 South Carolina State University Foundation for the year ended December 31, 2006. 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, 2007. We did not find any other fundraising organization.

7. We requested from management of the Foundation a list of all expenditures made by the Foundation to or on behalf of The University's Intercollegiate Athletic Program or any of its employees. We compared the total amount of expenditures made per the detail listing with the amounts reported in the Intercollegiate Athletics Program's Statement of Revenues and Expenses for the year ended June 30, 2007.

We found the detail listing of expenditures to be in agreement with the amounts reported on the Statement of Revenues and Expenses.

8. We obtained from management a detail listing of financial aid awarded to student athletes for the year ended June 30, 2007. We compared the amount from the detail to the corresponding amount reported on the Statement of Revenues and Expenses for the year ended June 30, 2007. We haphazardly selected six student athletes; Brantley Evans, Jonathan Prye, Antonio Smalls, Henry Harris and Bob Moss from the detail listing and compared the amount in the detail listing to the amount on the financial aid award letter.

We found the detail listing to be in agreement with the corresponding amount reported on the Statement of Revenues and Expenses. We found the amounts reported on the detail listing for the five student athletes selected to be in agreement with the amount on the individual financial aid award letter.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Statement of Revenues and Expenses 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, 2007. 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, C.C.P.

October 29, 2008
Charlotte, North Carolina

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007
(Unaudited)**

Description	Football	Basketball	Other Sports	Nonprogram Specific	Total
Revenues					
Ticket Sales	\$ 756,228	\$ 12,978	\$	\$	\$ 769,206
Parking	25,638	-			25,638
NCAA/Conference Distribution		-	-	318,778	318,778
Mid Eastern Athletic Conference		82,028			82,028
Game Guarantees	12,500	284,000			296,500
SCSU Foundation, Inc. and The S.T.A.T.E. Club-in kind	29,815	10,968	17,110	146,745	204,638
Athletic Program Sales	3,700				3,700
Athletic Corporate Sponsorship	3,000		-		3,000
Other	7,936		800	2,250	10,986
Licensing Fees/Royalties	7,900	-	-		7,900
Financial Aid Waivers	179,622	151,446	352,489	3,522	687,079
Total Revenue	1,026,339	541,420	370,399	471,295	2,409,453
Expenditures					
Coaches' Salaries	585,332	323,024	175,632	-	1,083,988
Other Salaries	112,761	98,397	200,862	1,080,907	1,492,927
Fringe Benefits	172,545	99,461	71,920	307,409	651,335
Uniforms & Clothing Supplies	4,708	29,781	75,599	27,041	137,129
Other Supplies	181,697	20,098	103,611	384,407	689,813
Medical Health Services		99		1,184	1,283
Telephone	1,201	1,936	4,462	6,550	14,149
Other Contract Services	87,918	16,980	29,539	362,253	496,690
Team Travel	317,050	227,962	381,874	29,230	956,116
Advertising & Promotions	3,494	746		104,201	108,441
Recruiting Travel	19,636	53,591	18,856	-	92,083
Other Travel				60,124	60,124
Insurance	116,862	19,254	84,740	60,051	280,907
Membership Dues & Fees	18,900	60,580	4,825	52,983	137,288
Fixed Charges	17,065	602	3,868	76,043	97,578
Equipment Purchases	1,383		13,167	2,445	16,995
Utilities			-	108,625	108,625
Financial Aid Scholarships	1,039,370	444,227	1,091,659	146,387	2,721,643
Financial Aid Waivers	179,622	151,446	352,489	3,522	687,079
Total Expenditures	2,859,544	1,548,184	2,613,103	2,813,362	9,834,193
Excess of Revenues over (under) Expenditures	\$ (1,833,205)	\$ (1,006,764)	\$ (2,242,704)	\$ (2,342,067)	\$ (7,424,740)

SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM

NOTES TO STATEMENT OF REVENUES AND EXPENSES
JUNE 30, 2007
(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 revenues and expenses has been prepared using the accrual basis of accounting. However, 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, 2007. Contributions were received from the South Carolina State Foundation, Inc. \$ 204,638.