



**CLEMSON UNIVERSITY
NCAA REPORT**

Independent Accountants' Report on
Applying Agreed-upon Procedures

June 30, 2006

State of South Carolina



Office of the State Auditor

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October 20, 2006

The Honorable Mark Sanford, Governor
and
Members of the Board of Trustees
Clemson University
Clemson, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records and the statement of revenues, expenditures, and transfers of the Intercollegiate Athletics Program of Clemson University for the fiscal year ended June 30, 2006, was issued by KPMG, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb



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Independent Accountants' Report on Applying Agreed-upon Procedures

Mr. Richard H. Gilbert, Jr., CPA
Interim State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Office of the State Auditor as well as the President and management of Clemson University (the University), solely to assist you in evaluating whether the Intercollegiate Athletic Program Statement of Revenues, Expenditures and Transfers is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2006 and the effectiveness of the University's internal control over financial reporting as of June 30, 2006. 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 these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Materiality for the purposes of this report has been determined to be 5100,000.

Procedures Related to Statement of Revenues, Expenditures and Transfers

- A. We obtained the Clemson University Intercollegiate Athletic Program Statement of Revenues, Expenditures and Transfers (the Statement) for the year ended June 30, 2006, as prepared by management and shown in Schedule I herein. We recalculated the mathematical accuracy of the amounts on the schedule and agreed the amounts to the University's general ledger.

We found no exceptions as a result of these procedures.

- B. We compared actual revenues and expenditures in the Clemson University Intercollegiate Athletic Program Statement of Revenues, Expenditures and Transfers for the year ended June 30, 2006, to the prior year amounts (FY 2005). As agreed, we identified actual variances of greater than 10% and \$100,000 from the prior year amounts and obtained explanations from University officials regarding the reasons for the variations as follows:

Football Revenue — Football revenue increased by \$4,621,970, or 20%, compared with FY 2005. The increase is attributable to an increase in ticket prices, attendance and the addition of bowl game revenue.

Football Expenditures — Football expenditures increased by \$2,164,880, or 22%, compared with FY 2005. The increase is due to an increase in attendance and the University's participation in a bowl game.



Other Sports Revenue — Other sports revenue increased by \$468,237, or 13%, compared with FY 2005. The increase is due to the hosting of more postseason events compared with prior year. In FY 2006, the baseball team hosted a regional and a super regional tournament; whereas in FY 2005 only a regional was hosted. The men's soccer team also hosted postseason tournaments compared to FY 2005 where none were hosted.

Other Sports Expenditures — Other sports expenditures increased by \$1,048,855, or 14%, due to hosting of more postseason events compared with prior year.

Nonprogram Specific Revenue — Nonprogram specific revenue increased by \$538,901, or 10%, compared with FY 2005. The increase is due to an increase in institutional support.

IPTAY Revenue — IPTAY revenue increased by \$208,209, or 10%, compared with FY 2005. The increase is a result of an increase of contributions from Clemson University Foundation to cover increased expenditures.

No additional procedures were performed with respect to management's representations as to the reasons for the variances.

- C. We obtained a listing of operating revenue receipts for the year ended June 30, 2006. We agreed the totals per the operating revenue receipts listing to Schedule I and scanned the listing for all individual receipts greater than 10% of operating revenue.

The amounts were in agreement, and we found one individual receipt that exceeded 10% of operating revenue. The individual receipt was for \$6,002,841 from the Atlantic Coast Conference. We agreed the amount of the receipt per the listing of all individual receipts to a copy of the check and the settlement statement from the Atlantic Coast Conference.

- D. We obtained all the reconciliation of revenue from football and men's basketball ticket sales between the University's general ledger and the University's Paciolan System's Ticket Status Report for the year ended June 30, 2006 prepared by the athletic administration's accountants and reviewed by the associate athletic director of business, and compared such revenue to the corresponding amount in Schedule 1.

The reconciliations prepared by the athletic administration's accountants and reviewed by the associate athletic director of business and the revenue from football and men's basketball ticket sales per Schedule I were materially in agreement.

- E. We obtained the University's calculation for the allocation of student fees to athletics. We recalculated the mathematical accuracy of the amounts in the calculation, agreed amounts in the calculation to the general ledger, and compared the amount of student fees revenue per the calculation to the corresponding amount in Schedule I.

We found no exceptions as a result of these procedures.



- F. We selected the football and men's basketball Atlantic Coast Conference settlement statements and the University of South Carolina settlement statement for away games from a schedule provided by the University. For each of these three settlement statements, we compared the settlement revenue on the schedule provided by the University to amounts specified in contracts provided by the University. We compared the total revenues for settlement statements in the schedule provided by the University to the corresponding amount of NCAA/Conference distribution revenue in the Statement of Revenues, Expenditures and Transfers.

We found no exceptions as a result of these procedures and the amounts per the schedule provided by the University and corresponding amount of NCAA/Conference distribution revenue in the Statement of Revenues, Expenditures and Transfers were in agreement.

- G. We haphazardly selected the University of South Carolina football guarantee, the only out of conference away game, from a schedule provided by the University. For this guarantee, we compared the guarantee revenue on the schedule provided by the University to the amount specified in the settlement report. We compared the total revenues for away game guarantees in the schedule provided by the University to the corresponding amount of away game sales and guarantee revenues in the Statement of Revenues, Expenditures and Transfers.

We found no exceptions as a result of these procedures and the amounts per the schedule provided by the University and the corresponding amount of away game sales and guarantee revenues in the Statement of Revenues, Expenditures and Transfers were in agreement.

- H. We obtained a report from the University detailing third-party support revenue recorded by the University for the year ended June 30, 2006. We haphazardly selected the head coaches of men's basketball, women's basketball, and men's soccer from the report and for each fund selected, we compared the third-party support revenue on the schedule provided by the University to amounts specified in the Learfield and Nike contracts. We recalculated the mathematical accuracy of the third-party support revenue per the report provided by the University. We compared the total third-party support revenue in the report provided by the University to the corresponding amount in the Statement of Revenues, Expenditures and Transfers.

We found no exceptions as a result of these procedures.

- I. We obtained a report from the University detailing direct institutional support revenue recorded by the University for the year ended June 30, 2006. We recalculated the mathematical accuracy of the direct institutional support revenue amounts per the report provided by the University. We compared the total direct institutional support revenue in the report provided by the University to the corresponding amount in the Statement of Revenues, Expenditures and Transfers.

We found no exceptions as a result of these procedures.



- J. We obtained a report from the University which details revenue received from the University's participation in NCAA/conference distributions including all tournament revenue for the year ended June 30, 2006. We compared the revenue amounts for football and men's basketball included in the report to amounts specified in Atlantic Coast Conference and University of South Carolina settlement statements provided by the University. We compared the total revenue for the University's participation in NCAA/conference distributions including all tournament revenue in the report provided by the University to the corresponding amount in the Statement of Revenues, Expenditures and Transfers.

We found no exceptions as a result of these procedures.

- K. We obtained a report from the University which details revenue received from broadcast, television, radio and internet rights for the year ended June 30, 2006. We compared the revenue on the report to amounts specified in contracts provided by the University. We compared the total revenue from broadcast, television, radio and internet rights in the report provided by the University to the corresponding amount in the Statement of Revenues, Expenditures and Transfers.

We found no exceptions as a result of these procedures.

- L. We obtained a report from the University which details revenue received from program sales, concessions, novelty sales and parking for the year ended June 30, 2006. We compared the total revenue from program sales, concessions, novelty sales and parking in the report provided by the University to the corresponding amount in the Statement of Revenues, Expenditures and Transfers.

We found no exceptions as a result of these procedures.

- M. We obtained a report from the University which details revenues received from royalties, advertisements and sponsorships for the year ended June 30, 2006. We compared the revenue on the report to amounts specified in agreements and contracts provided by the University. We compared the total revenue from royalties, advertisements and sponsorships in the report provided by the University to the corresponding amount in the Statement of Revenues, Expenditures and Transfers.

We found no exceptions as a result of these procedures.

- N. We obtained the schedule of endowment and investment income for Clemson University from the University's management for the year ended June 30, 2006. We compared the amount of endowment and investment income per the schedule to the amount of endowment and investment income per the Statement of Revenues, Expenditures and Transfers.

We found no exceptions as a result of these procedures.

SCHEDULE I

**CLEMSON UNIVERSITY
INTERCOLLEGIATE ATHLETIC PROGRAM**

Statement of Revenues, Expenditures and Transfers

For The Year Ended June 30, 2006

Unaudited - See Accompanying Independent Accountants' Report on Applying Agreed-Upon-Procedures

	<u>Football</u>	<u>Basketball</u>	<u>Other Sports</u>	<u>NonProgram Specific</u>	<u>IPTAY</u>	<u>IPTAY LEARNING CENTER</u>	<u>Total</u>
Operating revenue:							
Ticket sales	\$ 13,236,722	1,098,197	381,443	-	-	-	14,716,362
Student fees	1,284,800	122,044	-	-	-	-	1,406,844
Away game sales and guarantees	1,062,821	327,581	4,000	-	-	-	1,394,402
Contributions	1,750,752	564,990	2,213,946	1,079,547	2,212,007	1,148,031	8,969,273
Third-party support	896,750	176,500	37,500	-	-	-	1,110,750
Direct institutional support	536,794	222,692	1,188,191	-	-	-	1,947,677
NCAA/Conference distributions including all tournament revenue	7,079,980	3,008,746	147,600	129,702	-	-	10,366,028
Broadcast, television, radio and internet rights	-	-	-	807,500	-	-	807,500
Program sales, concessions, novelty sales and parking	1,181,835	141,838	93,012	993,240	-	-	2,409,925
Royalties, advertisements and sponsorships	125,000	-	-	1,615,585	-	-	1,740,585
Endowment and investment income	-	-	-	751,452	-	-	751,452
Other	249,462	33,818	35,100	297,391	-	-	615,771
Total operating revenue	<u>27,404,916</u>	<u>5,696,406</u>	<u>4,100,792</u>	<u>5,674,417</u>	<u>2,212,007</u>	<u>1,148,031</u>	<u>46,236,569</u>
Operating expenditures:							
Athletic student aid	2,210,383	733,466	3,312,913	803,509	-	2,500	7,062,771
Guarantees	1,537,500	497,292	43,621	-	-	-	2,078,413
Coaching salaries, benefits and bonuses paid by the institution and related entities	2,352,567	1,888,937	2,622,379	-	-	-	6,863,883
Coaching other compensation and benefits paid by a third party	896,750	176,500	37,500	-	-	-	1,110,750
Support staff/administrative salaries, benefits and bonuses paid by the institution and related entities	524,173	209,531	89,464	5,666,860	866,297	978,069	8,334,394
Recruiting	279,684	211,394	223,571	-	-	-	714,649
Team travel	964,826	649,515	943,817	142,069	57,379	21,004	2,778,610
Equipment, uniforms and supplies	429,004	61,769	352,161	125,204	7,347	-	975,485
Game	1,336,369	297,311	212,795	-	-	-	1,846,475
Fundraising, marketing and promotion	-	-	-	308,945	1,302,482	-	1,611,427
Direct facilities, maintenance and rental	42,274	16,855	14,307	1,499,579	-	6,206	1,579,221
Indirect facilities and administrative support	-	-	-	678,120	-	-	678,120
Other	1,492,843	475,058	591,689	4,106,279	-	136,761	6,802,630
Total operating expenditures	<u>12,066,373</u>	<u>5,217,628</u>	<u>8,444,217</u>	<u>13,330,565</u>	<u>2,233,505</u>	<u>1,144,540</u>	<u>42,436,828</u>
Mandatory transfers:							
Principal and interest	-	-	-	724,705	-	-	724,705
Total operating expenditures and mandatory transfers	<u>12,066,373</u>	<u>5,217,628</u>	<u>8,444,217</u>	<u>14,055,270</u>	<u>2,233,505</u>	<u>1,144,540</u>	<u>43,161,533</u>

**CLEMSON UNIVERSITY
INTERCOLLEGIATE ATHLETIC PROGRAM**

Statement of Revenues, Expenditures and Transfers

For The Year Ended June 30, 2006

Unaudited - See Accompanying Independent Accountants' Report on Applying Agreed-Upon-Procedures

	<u>Football</u>	<u>Basketball</u>	<u>Other Sports</u>	<u>NonProgram Specific</u>	<u>IPTAY</u>	<u>IPTAY LEARNING CENTER</u>	<u>Total</u>
Nonmandatory transfers:							
Student services	-	-	-	10,000	-	-	10,000
Scholarship support	151,306	42,503	31,317	-	-	-	225,126
Construction projects	-	-	-	2,619,896	12,534	-	2,632,430
Student band support	-	-	-	97,275	-	-	97,275
Departmental support	-	-	-	898,465	-	-	898,465
Total nonmandatory transfers	<u>151,306</u>	<u>42,503</u>	<u>31,317</u>	<u>3,625,636</u>	<u>12,534</u>	<u>-</u>	<u>3,863,296</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 15,187,237</u>	<u>436,275</u>	<u>(4,374,742)</u>	<u>(12,006,489)</u>	<u>(34,032)</u>	<u>3,491</u>	<u>(788,260)</u>

See accompanying notes to Statement of Revenues, Expenditures and Transfers

**CLEMSON UNIVERSITY
INTERCOLLEGIATE ATHLETIC PROGRAM**

Notes to Statement of Revenues, Expenditures and Transfers

June 30, 2006

(Unaudited – See accompanying independent accountants' report on applying agreed-upon procedures)

(1) Summary of Significant Accounting Policies and Reporting Practices

The accompanying Statement of Revenues, Expenditures and Transfers includes revenue, expenditure and transfer accounts of Clemson University (the University) which relate to the University's National Collegiate Athletic Association intercollegiate athletic program. The University uses the accrual basis of accounting for revenues, expenditures and transfers.

(2) 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.

(3) Capital Expenditures

The University expended approximately \$3,380,729 for capital items, which were funded by revenues related to athletics. As these expenditures were for capital items, they are not included in the statement of revenues, expenditures and transfers.

(3) Booster Activities

Activities of IPTAY, the fundraising arm of Clemson University Athletics, are included in the accompanying statement.