

**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, 2010

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

Year Ended June 30, 2010
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Independent Accountants' Report on Applying Agreed-Upon Procedures

South Carolina State University
300 College Street N.E.
Orangeburg, South Carolina

We have performed the procedures enumerated below, which were agreed to by the management of South Carolina State University (the "University") solely to assist you in evaluating whether the Statement of Athletic Revenues and Expenditures of the Intercollegiate Athletic Program of the University is in compliance with the National Collegiate Athletic Association (the "NCAA") Bylaw 3.2.4.16 for the year ended June 30, 2010 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, 2010. 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, 2010, as prepared by management of the University and shown in Attachment A herein. Management has represented to us that all general ledger accounts related to the Intercollegiate Athletic Program have been included in the Statement of Athletic Revenues and Expenditures. We recalculated the mathematical accuracy of the amounts on the schedule and agreed the amounts to the University's general ledger. We traced the individual line item amounts from the Statement of Athletic Revenues and Expenses to management's worksheets and compared the amounts on the worksheets to the general ledger.

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

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

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

3. We compared the amounts reported on the Statement of Athletic Revenues and Expenditures in Attachment A for the year ended June 30, 2010 with the amounts reported on the Statement of Athletic Revenues and Expenditures for the year ended June 30, 2009. We obtained management's explanations of variances greater than both 10% of the 2009 amount and \$27,000 as follows:

- Ticket sales (Increase of \$187,169 and 23%) – The implementation of the game zone produced higher ticket sales in fiscal year 2010. Game zone requires anyone who enters the University campus during game day to purchase a game ticket.
- Direct institutional support (financial aid abatement) (Increase of \$124,057 and 17%) – The University awarded more scholarships and abatements in fiscal year 2010.
- Game guarantees (Decrease of \$117,000 and 17%) – The guarantee amounts for football decreased by \$135,000 in fiscal year 2010. The University played Clemson University in fiscal year 2009 and received an amount of \$235,000 which was not repeated in fiscal year 2010. However, the University received an amount of \$150,000 for a Disney-Sponsored football game and basketball game guarantees increased by \$18,000.
- Other income (Increase of \$34,631 and 134%) – The University was allowed to keep the revenue from ticket sales for the football game versus University of South Carolina. The University did not have this revenue in fiscal year 2009, resulting in the increase.
- Athletic student aid (Increase of \$570,256 and 15%) – The University awarded more scholarships and abatements in fiscal year 2010.
- Coaching salaries and benefits (Increase of \$681,122 and 44%) – In fiscal year 2009, some coaching salaries and benefits were classified as support / administrative staff salaries and benefits.
- Support / administrative staff salaries and benefits (Decrease of \$889,098 and 40%) – In fiscal year 2009 some coaching salaries and benefits were classified as support / administrative staff salaries and benefits. Furthermore, due to budget reductions, a number of support / administrative staff were reduced in fiscal year 2010.
- Recruiting (Increase of \$69,682 and 1,653%) – Some recruiting travel in fiscal year 2009 were classified under team travel.
- Team travel (Decrease of \$349,107 and 29%) – Budgets for team travel were cut in fiscal year 2010; therefore, teams traveled more using less expensive University transportation, traveled to closer locations, and competed in fewer competitions that require travel. Furthermore, some recruiting expenses in fiscal year 2009 were misclassified as team travel.
- Game expenses (Increase to \$197,907 vs. \$0 in prior year) – In fiscal year 2009, payments to game officials and ground security personnel were charged to membership dues and fees and direct facilities, maintenance and rental, respectively. This expense should have been charged to game expenses.

- Direct facilities, maintenance and rental (Decrease of \$59,511 and 19%) – In fiscal year 2009, security expenses amounting to \$52,659 were charged to direct facilities, maintenance and rental which should have been charged to game expenses.
- Medical expenses and insurance (Increase of \$35,054 and 125%) – The increase was due to an increase in insurance premiums.
- Membership dues and fees (Decrease of \$77,821 and 51%) – In fiscal year 2009, amounts paid to game officials were charged to membership dues and fees which should have been charged to game expense.

We also compared the amounts reported on the Statement of Athletic Revenues and Expenditures in Attachment A for the year ended June 30, 2010 with the budgeted amounts for the year ended June 30, 2010. Based on discussions with management, the budget is based on a pool. Funds budgeted for certain items were aggregated into a pool amount. Therefore, not all individual accounts will have a budget; rather the budget is included in the amount for a pool of accounts. We obtained management's explanations of variances greater than both 10% of the budgeted amount and \$27,000 as follows:

- NCAA distribution revenue (Over budget by \$79,853 and 23%) – In fiscal year 2010, the University received additional funds for professional development, travel and purchasing laptops which were not included in the original budget.
 - Other income (Over budget by \$49,329 and 441%) – The University did not budget for certain revenues derived from other Athletic activities.
 - Support staff / administrative staff salaries and benefits (Over budget by \$202,245 and 18%) – The variance between budget and actual expense for support staff / administrative staff salaries and benefits is offsetting with the variance between budget and actual expenses for coaching salaries and benefits.
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, 2010. 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, 2010.

Gate Sales

Per Ticketmaster Audit Report (Etix report)	\$ 723,609
Per General Ledger	<u>699,040</u>
Difference	24,569

Season Ticket Sales

Per Ticket Sales Reconciliation	363,790
Per General Ledger	<u>364,953</u>
Difference (general ledger is over)	<u>(1,163)</u>
Net un-reconciled difference	<u>\$ 23,406</u>

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 basketball game against The University of Iowa, a football game against the University of South Carolina and the 2009 MEAC – SWAC Challenge. For each game we compared 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 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 we 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. 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, 2010. 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, 2010.

We found the detail listing of expenditures to be in agreement with the amounts reported as contribution revenue as well as expenditures on the Statement of Athletic Revenues and Expenditures.

7. We obtained agreements related to the University's participation in revenues from tournaments for the year ended June 30, 2010. 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, 2010. 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, 2010. 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 six 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:

Sandra Burris	Daniel Lewis
Timothy Carter	Oliver Pough
Zetty Glenn	Douglas Robertson
Gerald Harrison	Donika Sutton
Hardeep Judge	Carl Williams

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, 2010 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, 2010 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, 2010.

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, 2009. 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, 2010 and found both sets of statements to represent the same Foundation and to be in agreement.

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 following procedures:
14. Fifteen revenue transactions for the year ended June 30, 2010 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 as follows:

	<u>Reference</u>	<u>Date</u>	<u>Amount</u>
1	F0003748	7/7/2009	6,890.00
2	F0003934	7/20/2009	16,210.00
3	F0003934	7/20/2009	1,365.00
4	F0004050	8/12/2009	3,120.00
5	F0004108	8/25/2009	320.00
6	F0004187	9/1/2009	1,175.00
7	F0004391	9/21/2009	1,145.00
8	F0004435	9/30/2009	4,250.00
9	F0004481	10/7/2009	3,250.00
10	F0004481	10/7/2009	6,760.00
11	F0004531	10/20/2009	45,100.00
12	F0004591	11/3/2009	99,340.00
13	F0004655	12/1/2009	14,770.00
14	F0005158	2/17/2010	4,345.00
15	F0005366	4/5/2010	2,690.00

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

15. We haphazardly selected twenty-eight cash disbursements from the general ledger accounts for the Intercollegiate Athletic Program for the year ended June 30, 2010. For each of these twenty-eight disbursements, we compared the disbursed amount and payee information to supporting documentation (i.e. invoices, receipts, purchase order and acknowledgement of receipt). The items selected were as follows:

	Description	Check Number	Date	Amount
1	Sodexo Campus Catering	26960	9/18/2009	850.51
2	Time Warner Cable	26929	9/3/2009	69.35
3	AAA - Signs Judy Manufacturing	26967	9/18/2009	2,964.60
4	Take Ten Productions	26940	9/3/2009	29,377.50
5	Gerald Harrison	26954	9/15/2009	2,638.02
6	Rawn Miro	26962	9/18/2009	100.00
7	Herman Belton	26893	8/19/2009	1,334.00
8	Timothy Carter	27056	10/28/2009	1,227.70
9	Glad Bugariu	n/a	12/31/2009	1,540.00
10	Mid Eastern Athletic Conf	187980	3/11/2010	6,435.00
11	Daktronics Sales & Service	182091	10/13/2009	19,939.45
12	Sign-A-Rama	178899	8/13/2009	631.30
13	Donisha A. Johnson	188873	4/13/2010	1,842.00
14	Suntrust Bank	184193	12/9/2009	3,501.91
15	Applied Data	178947	8/18/2009	914.53
16	Ontario Investments Inc	188813	4/8/2010	1,023.25
17	Miller Communication	184294	12/14/2009	1,005.00
18	Orangeburg County Emergency	191222	6/25/2010	1,700.00
19	Wg Sports Photography LLC	183254	11/9/2009	2,500.00
20	School Datebooks, Inc.	188578	4/1/2010	2,354.01
21	A Sharp Production	183566	11/18/2009	3,018.69
22	Michael K. Walton	184128	12/7/2009	5,350.00
23	Hampton Inn	184579	1/5/2010	3,729.60
24	Price, Tyree Edward.	189896	5/18/2010	4,088.50
25	Hardeep Judge	189703	5/11/2010	3,004.50
26	Marriott	182239	10/15/2009	12,366.28
27	Millicent S. Sylvan	182254	10/15/2009	2,571.00
28	Latitude 36	183922	12/2/2009	2,488.77

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, 2010. 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.

Cheng Bekaert + Holland, L.L.P.

Charlotte, North Carolina
January 11, 2011

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

**STATEMENT OF ATHLETIC REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2010
(Unaudited)**

DESCRIPTION	FOOTBALL	BASKETBALL	OTHER SPORTS	NON PROGRAM SPECIFIC	TOTAL
Revenues					
Ticket sales	\$ 1,000,769	\$ 10,999	\$ -	\$ -	\$ 1,011,768
Direct institutional support (financial aid abatement)	155,116	146,952	488,454	44,902	835,424
Game guarantees	395,500	175,000	-	-	570,500
NCAA/Conference distributions	-	-	-	429,133	429,133
In-kind contributions	231,636	60,901	7,781	112,597	412,915
Program sales, concessions, novelty sales and parking	71,345	-	-	14,395	85,740
Other income	58,037	-	2,470	-	60,507
Total Revenue	1,912,403	393,852	498,705	601,027	3,405,987
Expenditures					
Athletic student aid	1,298,005	616,705	1,740,811	649,555	4,305,076
Coaching salaries and benefits	827,592	661,903	299,368	441,180	2,230,043
Support staff/administrative salaries and benefits	92,947	20,207	217,170	1,004,946	1,335,270
Recruiting	14,016	50,430	5,236	-	69,682
Team travel	191,793	257,467	336,941	64,811	851,012
Equipment, uniforms and supplies	131,854	41,735	59,566	87,507	320,662
Game expenses	71,737	112,760	13,410	-	197,907
Fundraising, marketing and promotions	-	662	2,157	25,468	28,287
Direct facilities, maintenance and rental	54,243	3,897	22,288	168,607	249,035
Medical expenses and insurance	4,593	-	-	58,597	63,190
Membership dues and fees	8,049	-	1,695	65,652	75,396
Other operating expenses	237,458	28,488	25,830	161,075	452,851
Total Expenditures	2,932,287	1,794,254	2,724,472	2,727,398	10,178,411
Deficiencies of Revenues over Expenditures	\$ (1,019,884)	\$ (1,400,402)	\$ (2,225,767)	\$ (2,126,371)	\$ (6,772,424)

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

Selected Notes to Statement of Athletic Revenues and Expenditures
Year Ended June 30, 2010
(Unaudited)

Note 1 – Summary of Significant Accounting Policies

The Department of Athletics (the “Department”) is responsible for the intercollegiate athletic programs of South Carolina State University (the “University”) and as such is responsible for the intercollegiate athletics program of the University. The University is classified as a NCAA Division I school. The Department’s transactions are reported in the University’s unrestricted current funds.

Basis of Presentation – The accompanying statement presents the recorded amounts of revenues and expenses of the University’s Department. It is not intended to be a complete presentation of the revenues and expenses of the University or the University’s Department. The Statement of Athletic Revenues and Expenditures has been prepared using the modified accrual basis of accounting. Equipment costs are recognized as expenditures and no provision has been made for depreciation of physical plant assets. Revenue is recognized when earned and expenses when supplies or services are received.

Note 2 – Contributions

The University received one contribution from an outside organization that exceeded ten percent of all donations to the Department during the year ended June 30, 2010. Contributions were received from the South Carolina State University Foundation, Inc. in the amount of \$412,915.

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.