

**UNIVERSITY OF SOUTH CAROLINA - COLUMBIA
DEPARTMENT OF ATHLETICS**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

FOR THE YEAR ENDED JUNE 30, 2013

**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 Department of Athletics (the Department), solely to assist the Department’s management in obtaining assurance that they comply with National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the fiscal year ended June 30, 2013. 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

1. We obtained from the Department’s management the Statement of Revenues, Expenses and Transfers (the Statement) for the year ended June 30, 2013, as shown in Attachment A of this report. We recalculated the mathematical accuracy of the Statement and compared actual revenues and expenses in the Statement for the year ended June 30, 2013, to the prior year amounts (fiscal year 2012). We identified actual variances of greater than 10% and \$100,000 from the prior year amounts and obtained explanations for variances from management.

We found no exceptions as a result of these procedures. Management’s explanations for the identified variances are as follows:

Revenues:

Third Party Compensation and Benefits - Increased by \$1,247,125, or 30%, due to merit increases and/or employee contracts for the following individuals:

<u>Employee</u>	<u>Increase</u>
Steve Spurrier	\$ 636,875
Frank Martin	\$ 550,000
Various Assistant Football Coaches	\$ 180,000
Dawn Staley	\$ 75,000
Ray Tanner	\$ 37,500
Curtis Frye	\$ 26,000

These increases were offset by a \$258,250 reduction in compensation expense for staff changeover during the year.

Broadcast, TV, Radio, Internet - Decreased by \$788,918, or 62%. The decrease is attributable to the \$1,112,125 being reclassified to the Third Party Compensation line item in fiscal year 2013. In addition, there was a rights fee increase of \$200,000 from fiscal year 2012 and a one-time payment from the NCAA for Media Rights collected from 2004-2009 in the amount of \$138,207.

Program, Concessions, Novelty and Parking - Increased by \$643,334, or 18%. The increase is attributable to an additional \$526,500 in football parking revenue related to the opening of Gamecock Park. The increase is also attributable to a \$201,000 increase in concessions revenue due to the increase profit split with Centerplate associated with the Kenny Chesney concert during fiscal year 2013. In addition, there was a \$64,000 decrease in baseball parking as several lot owners did not renew their leases from the fiscal year 2012.

Royalties, Licensing, Advertising Sponsorships - Increased by \$528,663, or 15%. This increase is attributable to an additional \$75,000 received from Under Armour for additional rights fees and a decrease of \$297,500 in Under Armour incentives. The increase is also attributable to an increase of \$441,000 from Actions Sports Media and \$465,900 received as part of a profit split with Collegiate Licensing Company (CLC). Fiscal year 2013 was the first year the Department received the profit split. In addition, there was a decrease in Royalties, Licensing and Advertising revenue due to the increase in third party compensation revenue as \$125,000 was shifted to the Third Party Compensation line item.

Endowment and Investment Income - Increased by \$345,688, or 50%. The increase is attributable to a one-time adjustment of \$411,257 related to the Brooks Endowment. In addition, there was a \$65,569 decrease in interest earned from fiscal year 2012.

Expenses:

Coaching Compensation Paid by a Third Party - Increased by \$1,221,625, or 30%. The increase is attributable to raises awarded due to performance or prior negotiations with employment contracts for Steve Spurrier, Dawn Staley, Curtis Frye and various football assistant coaches and an increase of \$550,000 and \$37,500 related to the change in head men's basketball coach and athletic director positions, respectively. In addition, there were decreases of \$246,500 and \$12,000 related to the head baseball coach and Deputy Athletic Director positions, respectively.

Severance Payments - Decreased by \$2,241,128, or 100%. There were no severance payments during the current year. There was a severance payment to Darrin Horn during fiscal year 2012.

Recruiting - Increased by \$153,034, or 16%. The increase is attributable to a \$40,000 increase in costs related to the recruit tailgate at home football games and an overall general push for increased recruiting efforts throughout all sports to remain competitive. In addition, men's basketball spent an additional \$40,000 in recruiting efforts subsequent to the change in staffing during fiscal year 2012.

Team Travel - Increased by \$577,783, or 12%. The increase is attributable to the increased travel costs associated with the expansion of the Southeastern Conference and the additional flights chartered for football, baseball, and men and women's basketball.

Equipment, Uniforms and Supplies - Increased by \$523,311, or 20%. The increase is attributable to reclassifications from other supplies, food supplies, and animal bedding and food for \$268,000, \$35,000 and \$70,000, respectively. In addition, there was an additional \$125,000 of apparel and accessories purchased from Under Armour compared to fiscal year 2012.

Game Expenses - Decreased by \$818,390, or 11%. The decrease is attributable to \$1,040,000 reclassified to Direct Facilities and Admin Support for lease payments associated with football and baseball game parking areas. In addition, there were increases of \$110,000 and \$65,000 in additional expenses associated with Gamecock Park and Women's Basketball to promote attendance, respectively.

Direct Facilities and Administrative Support - Increased by \$2,286,947, or 16%. The increase is attributable to \$1,040,000 related to football and baseball parking that was reclassified from game expenses, \$240,000 in additional utilities expense related to the opening of the Rice Athletic Center, Gamecock Park and new softball stadium, and \$125,000 in additional contracted landscaping services associated with the Athletic Village and Gamecock Park. In addition, the Department paid for \$883,000 in repairs to the University President's plane.

Medical Expenses and Insurance - Decreased by \$198,681, or 18%. The decrease is attributable to a reduction in the amount paid to doctors and hospitals for the medical care of student athletes.

Transfers to Institution - Decreased by \$1,161,461 or 53%. The decrease is attributable to a \$1,000,000 decrease in committed SEC/TV money transferred to the University and an \$882,750 decrease in transfers to the University associated with the Department's payment of plane repairs. In addition, there were increases of \$295,025 and \$426,264 associated with transfers for Georgia football ticket scholarships and a reclassification from Direct Facilities and Administrative Support expense from the prior year, respectively.

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.

We found no exceptions as a result of these procedures.

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, 2013.

We found no exceptions as a result of these procedures.

4. We obtained the University's calculation of student athletic fees for the fiscal year ended 2013 and performed the following procedures:
 - a. Recalculated the mathematical accuracy of the 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 2012 and Spring 2013 semesters.
 - c. Compared the total of the University's calculation for student athletic fees to the Statement.

We found no exceptions as a result of these procedures.

5. We selected the settlement statement from the Clemson University away football game 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 Clemson University.

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.

6. We obtained a schedule of contributions for the year ended June 30, 2013 and identified any contributions in excess of 10% of total contributions.

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

7. We obtained from the Department a report detailing all third-party support revenue recorded by the Department for the year ended June 30, 2013. We haphazardly selected three coaches from the report and 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 recalculated the mathematical accuracy of the third-party support revenue per the report provided by the Department.

We found no exceptions as a result of these procedures.

8. We obtained the revenue distribution agreements from the Southeastern Conference and Outback 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.

We found no exceptions as a result of these procedures.

9. We obtained a detail of contracts for broadcast, television and radio and internet rights for the year ended June 30, 2013 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.

We found no exceptions as a result of these procedures.

10. We obtained a detail of contracts for royalties, licensing, advertisements, and sponsorships for the year ended June 30, 2013 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.

We found no exceptions as a result of these procedures.

11. 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.

We found no exceptions as a result of these procedures.

12. We obtained a listing of Department coaches employed by the Department for the year ended June 30, 2013. 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.

We found no exceptions as a result of these procedures.

13. We obtained a listing of Department coaches who received other compensation and benefits paid by a third-party during the year ended June 30, 2013. 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.

We found no exceptions as a result of these procedures.

14. We obtained a listing of support staff/administrative employees who were employed by the Department for the year ended June 30, 2013. 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.

We found no exceptions as a result of these procedures.

15. We obtained a listing of support staff/administrative salaries, benefits and bonuses paid by a third-party during the year ended June 30, 2013. 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.

We found no exceptions as a result of these procedures.

16. We obtained a listing of employees who received severance payments during the year ended June 30, 2013 and compared each severance payment amount to the Statement.

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

17. 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.

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

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

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

For procedures 19 through 23 all exceptions are reported regardless of dollar amount.

19. We randomly selected a sample of twenty-five receipts for the year ended June 30, 2013 from the Department's point of sale units located in the ticket office. For each receipt selected, we performed the following procedures:
- a. Compared its 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. Sub-selected three receipts for each day and compared from the ticket application to the Department's Archtics ticketing system.

We found no exceptions as a result of these procedures.

20. We randomly selected twenty five contribution receipts for the year ended June 30, 2013 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.

We found no exceptions as a result of these procedures.

21. We randomly selected twenty five cash disbursements for the year ended June 30, 2013 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.

We found no exceptions as a result of these procedures.

22. We obtained from management for the fiscal year ended 2013 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.

We found no exceptions as a result of these procedures.

23. We haphazardly selected three student athletes who have received athletic student financial aid during the year ended June 30, 2013 from a schedule provided by the Department. For each student athlete selected, we obtained a detail of each student's account and compared the total aid awarded per the detail to an award letter.

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 Department of Athletics and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style with a long, sweeping underline.

Columbia, South Carolina
November 27, 2013

UNIVERSITY OF SOUTH CAROLINA - COLUMBIA
DEPARTMENT OF ATHLETICS
Statement of Revenues, Expenses and Transfers
For the year ended June 30, 2013
(UNAUDITED)

Attachment A

	Football	Men's Basketball	Women's Basketball	Other Sports	Non- Program Specific	Total
REVENUES						
Admissions/ticket sales	\$ 17,197,332	\$ 1,185,308	\$ 65,871	\$ 1,517,734	\$ 120,108	\$ 20,086,353
Student athletic fees	-	-	-	-	2,537,697	2,537,697
Guarantees	250,000	-	-	6,500	-	256,500
Contributions	10,642,970	250,500	-	620,292	14,373,879	25,887,641
Compensation and benefits provided by a third party	3,380,000	1,300,000	475,000	144,750	112,500	5,412,250
NCAA/Conference distributions	14,585,355	5,132,970	49,366	109,099	2,473,186	22,349,976
Broadcast television, radio and internet rights	5,000	-	-	-	488,457	493,457
Program, concession, novelty sales and parking	3,177,790	2,080	680	373,277	715,161	4,268,988
Royalties, licensing, advertisements and sponsorships	20,000	-	5,000	94,800	3,987,425	4,107,225
Sports camp revenues	-	-	-	-	25,723	25,723
Endowment and investment income	-	-	-	-	1,040,975	1,040,975
Other operating revenues	8,431	-	1,818	336,123	3,671,265	4,017,637
Total revenues	<u>49,266,878</u>	<u>7,870,858</u>	<u>597,735</u>	<u>3,202,575</u>	<u>29,546,376</u>	<u>90,484,422</u>
EXPENSES						
Athletic student financial aid	2,883,161	433,598	467,975	4,768,210	509,446	9,062,390
Guarantees	1,400,000	542,300	61,500	80,588	-	2,084,388
Coaching salaries, benefits, and bonuses paid by the University and related entities	3,695,280	1,882,634	1,036,115	3,956,264	-	10,570,293
Coaching salaries, benefits, and bonuses paid by a third party	3,380,000	1,300,000	475,000	144,750	-	5,299,750
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	1,092,622	439,306	223,748	514,398	13,666,155	15,936,229
Support staff/administrative salaries, benefits, and bonuses paid by a third party	-	-	-	-	112,500	112,500
Severance payments	-	-	-	-	-	-
Recruiting	302,249	172,262	111,181	511,682	5,841	1,103,215
Team travel	1,766,532	657,995	618,007	2,557,699	-	5,600,233
Equipment, uniforms and supplies	1,308,336	162,016	135,952	1,267,677	204,855	3,078,836
Game expenses	3,800,263	594,435	374,202	1,538,416	311,388	6,618,704
Fund raising, marketing and promotion	71,683	18,565	14,663	43,451	2,226,866	2,375,228
Sports camp expenses	-	-	-	-	142,042	142,042
Direct facilities, maintenance and rental	4,883,031	202,775	155,328	1,583,358	9,845,397	16,669,889
Spirit groups	64,450	-	-	-	561,732	626,182
Medical expenses and insurance	-	-	-	-	907,314	907,314
Memberships and dues	3,101	2,840	2,151	17,970	38,053	64,115
Other operating expenses	325,009	126,888	56,175	323,323	8,014,709	8,846,104
Total expenses	<u>24,975,717</u>	<u>6,535,614</u>	<u>3,731,997</u>	<u>17,307,786</u>	<u>36,546,298</u>	<u>89,097,412</u>
TRANSFERS						
	-	-	-	-	1,018,502	1,018,502
Excess (deficiencies) of revenues over (under) expenses and transfers	<u>\$ 24,291,161</u>	<u>\$ 1,335,244</u>	<u>\$ (3,134,262)</u>	<u>\$ (14,105,211)</u>	<u>\$ (8,018,424)</u>	<u>\$ 368,508</u>

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 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 and expenses of the University of South Carolina's Department of Athletics. It is not intended to be a complete presentation of the revenues and expenses of the University of South Carolina or the University of South Carolina Department of Athletics. 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, 2013, 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 \$2,537,697 in student fees for the year ended June 30, 2013.

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, 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.

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

The University expended approximately \$51,206,113 for capital items, which were funded by revenues related to athletics. These amounts are not included in the Statement.

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 - DEFERRED REVENUE

The Department collected Fall 2013 ticket revenue on or before June 30, 2013 of approximately \$9,750,000. Recognition of these revenues has been deferred until the year ended June 30, 2014. The Statement for the year ended June 30, 2013 reflects approximately \$10,771,000 in revenues which were collected on or before June 30, 2012 and which were reflected as deferred revenue at June 30, 2012. 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 \$19,718,000. The Gamecock Club provided approximately \$13,226,000.