



**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE
ATHLETIC DEPARTMENT**

Year ended September 30, 2012

(With Report of Independent Accountants on
Applying Agreed-Upon Procedures Thereon)

**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE
ATHLETIC DEPARTMENT**

Year ended September 30, 2012

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KPMG LLP
Suite 1100
One Jackson Place
188 East Capitol Street
Jackson, MS 39201-2127

Report of Independent Accountants on Applying Agreed-Upon Procedures

Mr. V. Gordon Moulton, President
University of South Alabama:

We have performed the procedures enumerated below, which were agreed to by management of the University of South Alabama (the University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenditures (the Statement) for the University of South Alabama Intercollegiate Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the year ended September 30, 2012. The University's management is responsible for the Statement for the University of South Alabama Intercollegiate Athletic Department and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the University. 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.

Our procedures and findings were as follows:

Statement of Revenues and Expenditures – Agreed-Upon Substantive Procedures

- (a) We obtained the Statement for the University of South Alabama Intercollegiate Athletic Department (Athletic Department) for the year ended September 30, 2012, as prepared by management and shown in the Statement of Revenues and Expenditures (Exhibit A). We tested the mathematical accuracy of the Statement and the reconciliation prepared by the University of the amounts on the Statement to corresponding amounts in the University's general ledger without exception.
- (b) We compared actual Athletic Department expenditures per the University's general ledger with budgeted amounts and also inquired of Athletic Department management as to variances greater than \$50,000 of prior year amounts. Management provided explanations for all variances which exceeded the identified scope.
- (c) University management provided a summary of the University's internal control unique to the Athletic Department. We read the summary documents that include information regarding the general control environment and internal control procedures unique to intercollegiate athletics which assist in ensuring that recorded revenues are complete and expenditures are properly authorized. Based on our reading of the summary documents, we noted no issues in the design of the internal controls which would represent material weaknesses as defined by American Institute of Certified Public Accountants.
- (d) We performed the following procedures on operating revenues as presented in Exhibit A:
 - (i.) Ticket sales – We agreed revenue for Men's Football, Men's Baseball, Men's Basketball, Women's Softball and Women's Basketball per the general ledger to the ticket sales registers,



noting that the general ledger and ticket sales registers agreed to within a difference of \$19,647. Ticket sales registers record ticket sales activity based on when the sporting event occurs. Ticket sales are recorded in the general ledger based on when the revenue is recognized.

- (ii.) Student fees – We gained an understanding of the process of allocating student fees to the University’s athletic program and to individual sports. In accordance with the internal allocation approved by University management, the University has an all inclusive rate per semester hour. Athletics receives fees equal to the prior year amounts, plus or minus growth in total credit hours, plus 8% to be held as a special reserve. For Fall 2012, athletics will receive fees equal to the prior year amounts, plus or minus growth in total credit hours, plus 7.7% to be held as a special reserve. Additionally, we recalculated the University’s allocation of total student fees to within management’s 1% acceptable tolerance range.
- (iii.) Guarantees – We obtained a detail of revenue guarantees paid to the University noting that revenue guarantees related principally to Men’s Basketball and Men’s Football. We obtained copies of signed agreements with Mississippi State University and North Carolina State University. The signed agreements supported 88% of the total current year guarantees.
- (iv.) Contributions – We obtained a listing of contributions received by the University and agreed the listing to the general ledger without exception. We noted that the University did not receive any individual contributions in excess of 10% of total contributions.
- (v.) Direct state or other government support – We noted that there were no direct state or other government support amounts received in fiscal year 2012.
- (vi.) Direct institutional support – We obtained the supporting schedules for the direct institutional support entry. Additionally, we recalculated the allocation of institutional support to individual sports based on management’s methodology.
- (vii.) NCAA/conference distributions, including all tournament revenues – We obtained the detail of NCAA and conference distributions from the general ledger and selected 49% of the total dollar amount of the remittances from the NCAA and Sunbelt Conference for testing. We examined check copies or wire remittances for each of the amounts received.
- (viii.) Broadcast, television, radio, and internet rights – We obtained the agreement with Sidearm Sports for web site services to gain an understanding of the terms and conditions. We verified that revenue related to this contractual agreement was recognized appropriately in fiscal year 2012 in accordance with the agreements. The amounts tested constitute 73% of the revenue for this line item.
- (ix.) Program sales, concessions, novelty sales, and parking – We obtained a detail of program sales, concessions, novelty sales, and parking and agreed the detail to the general ledger. We agreed a sample of revenue receipts to supporting documents noting amount, approvals, etc., without exception. The amounts tested constitute 29% of the revenue for this line item.
- (x.) Royalties, licensing, advertisements and sponsorships – We obtained the agreement with IMG Communications for all multimedia services to gain an understanding of the terms and conditions. We agreed a sample of revenue receipts to supporting documents noting amount, approvals, etc., without exception. The amounts tested constitute 44% of the revenue for this line item. We verified that revenue related to this contractual agreement was recognized appropriately in fiscal year 2012 in accordance with the agreements.



- (xi.) Sports camp revenues – We noted no sports camp revenues recorded in fiscal year 2012.
 - (xii.) Endowment and investment income – We obtained a detail of endowment and investment income received by the University and agreed the detail to the general ledger without exception. We examined supporting documentation of the allocation of endowment income from the USA Licensing Program Endowment. The amounts tested constitute 99% of the revenue for this line item.
 - (xiii.) Other – We obtained a detail of other income received by the University and agreed it to the general ledger without exception. We examined the three contract agreements and deposit receipts that constituted 26% of the revenue for this line item.
- (e) We performed the following procedures on operating expenditures, as presented in Exhibit A:
- (i.) Athletics student aid – We obtained a detail of student athletes. From that detail, we selected ten individual students (student numbers J00435713, J00266595, J00338552, J00361390, J00293993, J00196618, J00410800, J00243420, J00295234, and J00427519) and compared those individual student's financial aid awards to their student accounts to ensure that the student account appropriately reflected the student aid.
 - (ii.) Guarantees - We obtained a detail of guarantee expenditures and agreed the detail to the general ledger without exception. We examined individual contracts with California Polytechnic State University for \$112,500, Mississippi Valley State University for \$150,000 and Nicholls State University for \$200,000.
 - (iii.) Coaching/support staff/administrative salaries, benefits, and bonuses – We selected ten coaches – Assistant Men's Football Coach – 2/1/12 – 9/30/12 (employee ID J00231592), Assistant Men's Football Coach (employee ID J00232109), Assistant Men's Basketball Coach (employee ID J00104343), Head Men's Coach Football (employee ID J00230847), Head Women's Basketball Coach (employee ID J00055062), Head Women's Soccer Coach (employee ID J00210498), Head Women's Softball Coach (employee ID J00214405), Assistant Men's Baseball Coach (employee ID J00434373), Assistant Men's Cross Country Coach (employee ID J00399254), Assistant Women's Basketball Coach (employee ID J00214380), and five athletic administrators – Athletic Counselor II (employee ID J00069081), Director, Athletics Compliance (employee ID J00271705), Assistant Director, Athletic Academic Services (employee ID J00406288), Athletic Trainer (employee ID J00248327), Associate Athletic Director (employee ID J00013354). For each of the employees, we examined the employee's wages per their W-2 and compared the amount to approved wages and salaries per the employee's personnel file.



- (iv.) All other expenditures – We selected twenty-seven individual vouchers from the 2012 fiscal year that fell under the following expenditure categories: recruiting; team travel; equipment, uniforms, and supplies; game expenses; fund-raising, marketing, and promotion; direct facilities, maintenance and rentals; medical expense and medical insurance; membership and dues; and other. We examined invoice copies and direct pay requests or purchase orders (where applicable) for the expenditures on the following vouchers, which comprise approximately 9% of the expenditures not included in the categories listed in (e)(i.), (e)(ii.), and (e)(iii.).

<u>Number</u>	<u>Voucher no.</u>	<u>Number</u>	<u>Voucher no.</u>
1	I0624550	15	I0615409
2	I0648815	16	I0076371
3	I0632261	17	I0653533
4	I0709880	18	I0077930
5	I0658964	19	I0648513
6	I0077184	20	I0632649
7	I0711585	21	I0080940
8	I0716219	22	I0639551
9	I0684044	23	I0671066
10	I0070500	24	I0676355
11	I0684987	25	I0612243
12	I0071299	26	I0714702
13	I0075089	27	I0075256
14	I0073352		

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We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenues and Expenditures for the University of South Alabama Intercollegiate Athletic Department for the year ended September 30, 2012 (Exhibit A). 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 solely for the information and use of management of the University and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 15, 2013

UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE
ATHLETIC DEPARTMENT
Statement of Revenues and Expenditures
Year ended September 30, 2012

NCAA description	Not related to team	Baseball – Men	Basketball – Men	Golf – Men	Tennis – Men	Track – Men	Football – Men	Basketball – Women	Golf – Women	Soccer – Women	Tennis – Women	Track – Women	Volleyball – Women	Softball – Women	Total
Operating revenues:															
Ticket sales	\$ —	68,994	148,623	—	—	—	639,498	2,568	—	—	—	—	—	14,244	873,927
Student fees	—	230,755	349,042	57,743	70,224	137,255	5,269,445	260,274	57,367	129,390	64,902	72,034	127,959	152,422	6,978,812
Guarantees	—	3,000	180,000	—	—	—	550,000	2,000	—	—	—	—	1,000	—	736,000
Contributions	257,747	118,620	59,391	35,800	39,677	25,258	92,100	31,967	15,760	19,680	19,938	16,850	10,300	25,328	774,416
Direct state or other government support	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Direct institutional support	2,827,019	724,932	1,096,536	181,403	220,612	368,002	356,360	817,667	180,221	406,486	203,893	289,495	401,991	478,844	8,553,461
NCAA/conference distributions, including all tournament revenues	—	22,561	34,125	5,645	6,866	10,231	159,531	25,447	5,609	12,650	6,345	10,231	12,510	14,902	356,653
Broadcast, television, radio, and internet rights	3,919	—	—	—	—	—	—	—	—	—	—	—	—	—	3,919
Program sales, concessions, novelty sales, and parking	186,203	—	—	—	—	—	—	—	—	—	—	—	—	—	186,203
Royalties, licensing, advertisements, and sponsorships	517,569	26,465	18,416	175	—	2,621	1,261	100	8,680	500	—	2,621	—	36	578,444
Sports camp revenues	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Employment and investment income	21,588	—	—	—	—	—	—	—	—	—	—	—	—	—	21,588
Other	23,020	—	—	—	—	2,073	—	—	—	—	—	2,073	—	—	27,166
Total operating revenues	3,837,065	1,195,327	1,886,133	280,766	337,379	545,440	7,068,195	1,140,023	267,637	568,706	295,078	393,304	559,760	685,776	19,060,589
Operating expenditures															
Athletes student aid	255,481	251,723	350,399	104,090	106,388	277,031	1,958,925	399,388	129,957	286,338	132,959	217,931	313,362	240,658	5,024,630
Guarantees	—	8,485	141,682	—	—	—	677,687	5,320	—	—	—	—	368	850	834,392
Coaching salaries, benefits, and bonuses paid by the University and related entities	—	360,735	535,460	74,256	79,204	130,183	1,649,862	392,860	68,748	148,853	73,154	102,411	127,309	186,621	3,939,656
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	1,953,595	41,801	123,383	2,370	—	1,302	811,540	75,190	—	4,721	370	1,024	8,221	36,939	2,960,456
Recruiting	—	69,203	77,939	6,406	—	—	230,117	66,746	2,498	11,251	8,437	5,163	23,534	23,074	524,368
Team travel	393	163,568	214,743	22,711	65,259	56,312	505,369	111,130	15,558	76,273	52,962	44,299	49,974	94,966	1,473,517
Equipment, uniforms, and supplies	250,543	83,329	32,741	20,159	26,558	27,272	526,395	27,305	13,539	29,644	15,861	21,454	17,472	66,335	1,158,607
Game expenses	1,142	38,511	81,911	—	5,312	1,119	101,318	44,190	—	9,269	300	881	14,670	13,793	312,416
Facilities, marketing, and promotion	2,966	9,959	7,398	—	1,486	3,126	17,571	5,068	—	726	606	2,460	3,451	3,775	58,592
Direct facilities, maintenance, and rentals	528,252	10,266	4,378	—	241	6,115	183,958	3,565	—	406	—	4,811	—	3,745	745,737
Spirit groups	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Medical expense and medical insurance	163,867	—	—	—	—	—	214,031	—	—	—	—	—	—	—	91,329
Membership and dues	102,785	400	905	8,562	—	336	9,260	800	3,802	2,998	520	264	731	369	377,898
Other	666,576	—	—	18,205	26,238	16,434	369,566	25,774	20,984	4,867	3,423	4,139	9,622	6,638	1,172,466
Total operating expenditures	3,825,600	1,037,980	1,570,939	256,759	310,686	519,230	7,255,599	1,157,336	255,086	575,346	288,592	404,837	568,714	769,092	18,795,796
Net	\$ 11,465	157,347	315,194	24,007	26,693	26,210	(187,404)	(17,313)	12,551	(6,640)	6,486	(11,533)	(8,954)	(83,316)	264,793

See accompanying report of independent accountants on applying agreed-upon procedures.