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**SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-8-04

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southeastern Athletics Association, Inc.
Hammond, Louisiana

We have audited the accompanying statement of financial position of Southeastern Athletics Association, Inc. (a Louisiana non-profit corporation) as of June 30, 2004, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Athletics Association, Inc. as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004 on our consideration of Southeastern Athletics Association, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



September 30, 2004

SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2004

ASSETS

Current Assets

Cash and cash equivalents	\$ 60,446
Accounts receivable	22,618
Merchandise inventories	17,338
Prepaid expenses	230
	100,632

Property and equipment

Office furniture and equipment	13,467
Sports equipment	279,885
	293,352
Less accumulated depreciation	(20,972)
	272,380

TOTAL ASSETS **\$ 373,012**

LIABILITIES AND NET ASSETS/(DEFICITS)

Current Liabilities

Line of credit	\$ 110,335
Accrued interest payable	3,718
Accounts payable	97,677
Deferred revenue	5,000
Due to Southeastern Development Foundation, Inc.	51,721
Current maturities of long-term debt	45,535
	313,986

Long-Term Liabilities

Long-term debt, net of current maturities	79,211
	79,211

TOTAL LIABILITIES **393,197**

Net Asset/(Deficit)

Unrestricted	(82,328)
Temporarily restricted	62,143
	(20,185)

TOTAL LIABILITIES AND NET ASSETS/(DEFICITS) **\$ 373,012**

The accompanying notes are an integral part of this statement.

SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS/(DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support			
Merchandise sales, net	\$ 2,504	\$ 6,215	\$ 8,719
Donations	-	146,889	146,889
Sponsors	216,651	77,338	293,989
In-kind donations	55,709	106,883	162,592
Memberships	74,837	68,436	143,273
Radio/television	-	117,720	117,720
Football	-	25,150	25,150
Facilities	-	80,114	80,114
Tournaments	-	60,404	60,404
Other revenue	26,537	14,089	40,626
Net assets released from restrictions			
Satisfaction of program restrictions	730,482	(730,482)	-
Total revenue and other support	<u>1,106,720</u>	<u>(27,244)</u>	<u>1,079,476</u>
Expenses			
Restricted			
Scholarships, assistantships, and awards	9,166	-	9,166
Departmental	423,644	-	423,644
Programs	297,672	-	297,672
Awards	2,035	-	2,035
Bad Debt	3,720	-	3,720
Broadcast	2,565	-	2,565
Contract Labor	2,290	-	2,290
Depreciation	1,424	-	1,424
In-kind expenses	55,709	-	55,709
Insurance	1,600	-	1,600
Lease	2,832	-	2,832
Miscellaneous	11,364	-	11,364
Membership benefits	10,893	-	10,893
Printing	98,296	-	98,296
Professional fees	11,261	-	11,261
Radio/TV	10,000	-	10,000
Signs	24,687	-	24,687
Special events	16,153	-	16,153
Supplies	5,338	-	5,338
Taxes	2,955	-	2,955
Telephone	3,920	-	3,920
Travel	2,692	-	2,692
University programs	127,634	-	127,634
Vehicle expense	6,000	-	6,000
	<u>1,133,850</u>	<u>-</u>	<u>1,133,850</u>
Changes in net assets	(27,130)	(27,244)	(54,374)
Net Assets/(Deficit)			
Beginning of year	(55,198)	89,387	34,189
End of year	<u>\$ (82,328)</u>	<u>\$ 62,143</u>	<u>\$ (20,185)</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004

	Program Services							
	Baseball	Basketball	Football	Golf	Softball	Tennis	Track	Training Room
Awards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bad Debt	-	-	400	-	-	-	-	-
Broadcast	-	-	-	-	-	-	-	-
Contract labor	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Fundraising	10,328	9,256	16,348	36,854	4,002	-	-	17
In-kind expenses	21,099	5,684	80,100	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Interest	3,174	-	-	-	-	-	-	-
Lease	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Membership benefits	-	-	-	-	-	-	-	-
Printing	-	-	-	-	-	-	-	-
Professional fees	-	-	-	-	-	-	-	-
Recruiting	1,074	3,066	8,563	-	-	-	-	-
Scholarships	763	6,128	-	-	302	345	-	-
Signs	-	-	-	-	-	-	-	-
Supplies	13,076	1,716	-	2,243	845	53	258	63
Taxes	3,097	188	1,006	-	-	-	-	-
Telephone	3,357	323	3,002	654	478	239	804	-
Travel	607	4,566	13,635	4,530	222	-	1,929	-
University programs	36,162	10,433	139,658	22,201	8,407	264	1,836	950
Vehicle expense	-	-	-	-	-	-	-	-
Total functional expenses	\$ 92,737	\$ 41,360	\$ 262,712	\$ 66,482	\$ 14,256	\$ 901	\$ 4,827	\$ 1,030

The accompanying notes are an integral part of this statement.

SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004

Program Services							Supporting Services	
Volleyball	Soccer	Director Support	Student Athletic Advisory	Facilities	Radio Television	Program Service Total	General and Administrative	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,035	\$ 2,035
-	-	-	-	-	-	400	3,720	4,120
-	-	-	-	-	-	-	2,565	2,565
-	-	-	-	-	-	-	2,290	2,290
729	122	-	-	9,338	-	9,338	1,424	10,762
-	285	-	-	-	-	77,656	-	77,656
-	-	-	-	-	-	107,168	55,709	162,877
-	-	-	-	-	-	-	1,600	1,600
-	-	-	-	5,243	-	8,417	-	8,417
-	-	-	-	-	-	-	2,832	2,832
-	-	-	-	-	-	-	11,364	11,364
-	-	-	-	-	-	-	10,893	10,893
-	-	-	-	-	-	-	98,296	98,296
-	-	-	-	-	-	-	11,261	11,261
5,054	2,390	-	-	-	-	20,147	10,000	30,147
1,628	-	-	-	-	-	9,166	24,687	33,853
-	-	-	-	-	-	-	16,153	16,153
943	-	874	611	-	-	20,682	5,338	26,020
-	-	-	-	-	-	4,291	2,955	7,246
10	822	-	-	-	-	9,689	3,920	13,609
1,385	741	1,228	-	-	-	28,843	2,692	31,535
4,292	3,262	40,916	16	22,647	143,641	434,685	127,634	562,319
-	-	-	-	-	-	-	6,000	6,000
<u>\$ 14,041</u>	<u>\$ 7,622</u>	<u>\$ 43,018</u>	<u>\$ 627</u>	<u>\$ 37,228</u>	<u>\$ 143,641</u>	<u>\$ 730,482</u>	<u>\$ 403,368</u>	<u>\$ 1,133,850</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

Cash Flows From Operating Activities	
Change in net assets	\$ (54,374)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	10,762
(Increase)/decrease in accounts receivable	(10,902)
(Increase)/decrease in merchandise inventories	(11,123)
(Increase)/decrease in prepaids	(230)
Increase/(decrease) in accounts payable	3,547
Increase/(decrease) in due (to)/from affiliate	(23,512)
Increase/(decrease) in accrued interest payable	(3,007)
Increase/(decrease) in deferred revenue	<u>5,000</u>
Net cash provided by (used in) operating activities	(83,839)
Cash Flows from Investing Activities	
Purchase of sports equipment restricted for donation to University	<u>(46,438)</u>
Net cash used in investing activities	(46,438)
Cash Flows From Financing Activities	
Net proceeds from line of credit	335
Proceeds from long-term debt	35,030
Payments on long-term debt	<u>(49,210)</u>
Net cash provided by (used in) financing activities	(13,845)
Net increase/(decrease) in cash and cash equivalents	(144,122)
Cash and Cash Equivalents	
Beginning of year	<u>204,568</u>
End of year	<u><u>\$ 60,446</u></u>
Supplementary disclosures of cash flow information	
Cash paid during the year for:	
Interest paid	<u><u>\$ 11,424</u></u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of Organization

Southeastern Athletics Association, Inc. (the Association) was incorporated on March 18, 1982 under the provisions of Louisiana Revised Statutes 12:201 as a non-profit corporation. The Association was formed to promote and support, on all levels, the Southeastern Louisiana University Athletics Program. The Association is supported primarily through contributions from corporate sponsors and private donors.

Basis of Accounting

The accompanying financial statements of the Southeastern Athletics Association, Inc. have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units.

Basis of Presentation

Net assets of the Association and changes therein are classified and reported as follows:

- a) Unrestricted net assets are not subject to donor-imposed stipulations.
- b) Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the Association and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with purchased maturities of three months or less.

Unconditional Promises to Give

Pursuant with the Association's policy and in conformity with SFAS No. 116, the Association records certain promises to give as revenue when the promise is made.

Conditional Promises to Give

Pursuant with the Association's policy and in conformity with SFAS No, 116, the Association does not recognize conditional promises to give as revenue until the condition is met or the pledges are received.

SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Inventories

Merchandise inventories are stated at the lower of cost or market determined by the first-in, first-out method.

Fixed Assets

Fixed assets utilized by the Association are generally not recorded on the financial statements of the Association, as these assets are owned by Southeastern Louisiana University. For those assets owned by the Association, purchased property and equipment are carried at cost; while donated property and equipment are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Donated Services

A significant portion of the Association's functions is conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the requirement for recognition under SFAS No. 116.

Income Tax Status

Under provisions of the Internal Revenue Code, Section 501 (c) (3), and the applicable income tax regulations of Louisiana, the Association is exempt from taxes on income other than unrelated business income. The Association has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(VI). Since the Association had no net unrelated business income during the year ended June 30, 2004, no provision for income tax was made.

Accounts Receivable

Accounts receivables represent amounts owed for sponsorships and advertising. They are stated at amounts management expects to collect from outstanding balances. Based on prior experience, the Association feels that all amounts are collectable. The Association uses the direct write-off method when accounts are deemed uncollectible.

Concentration of revenue and support

The Association receives approximately 10% of its support from one local banking organization.

**SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2004:

Office equipment	\$ 13,467
Sports equipment	<u>279,885</u>
	293,352
Less accumulated depreciation	<u>20,972</u>
	<u>\$ 272,380</u>

The Association purchased equipment in the amount of \$46,438 on behalf of Southeastern Louisiana University for various sports programs. The Association will donate these assets to the University during the year ending June 30, 2005. The Association will not depreciate the equipment since, it will not derive any benefit from the equipment. Depreciation expense for the year ended June 30, 2004 was \$10,762.

NOTE C – LINE OF CREDIT

The Association has a \$200,000 line of credit bearing interest at a rate of 2% over the LIBOR rate (3.84% at June 30, 2004), and is secured by revenue received from sponsorships for baseball and football. The line of credit balance at June 30, 2004 was \$110,335. Interest payable monthly for the year ended June 30, 2004 was \$3,174. Principal due on demand or payable in full by June 28, 2007. Business assets have been assigned as collateral.

NOTE D – LONG-TERM DEBT

The Association has a note payable for improvements to the facilities at Southeastern Louisiana University. The note payable, at a variable interest rate of 4.75% dated January 8, 2003, had an original loan amount of \$240,000, with a maturity date of November 8, 2007. The terms of the note require four annual principal and interest payments of \$54,009 and a final payment of the balance due on November 8, 2007. Revenues have been assigned as collateral.

At June 30, 2004, the principal balance of the note is \$124,746 and interest expense during the fiscal year was \$5,243. It is management's intent to have the remaining amount of note advanced within the next six months. The maturity schedule is based on the Association's management receiving the full amount of the loan proceeds.

The future maturities of the note payable are as follows:

Year ending	
2005	\$ 45,535
2006	47,536
2007	49,599
2008	<u>51,968</u>
	<u>\$ 194,638</u>

SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – DONATED SERVICES AND SUPPLIES

In-kind donations of \$162,592 consist of donated services and supplies that the Association would normally have had to purchase were recorded because the donations met the criteria of enhancing non-financial assets and the value of the services and materials provided were readily determinable.

NOTE F – FINANCIAL INSTRUMENTS

Concentration of credit risk arising from cash deposits in excess of insured limits

The Association maintains cash balances at several financial institutions located in Hammond, Louisiana. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The Association's cash was in excess of the FDIC insurance by \$48,226 at June 30, 2004. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Concentration of credit risk due to accounts receivable

Credit risk for accounts receivable is concentrated because substantially all of the balances are receivable from entities located within the same geographic region.

NOTE G – RELATED PARTY TRANSACTIONS

The Association occupies an office provided by Southeastern Louisiana University. Since the value of the facilities used by the Association are not readily determinable, no related donation income is recorded. In addition, and in accordance with Louisiana Revised Statutes 17:3390, the Association is of the opinion that all expenditures and in-kind services, except unrestricted funds used for administration, benefit the University. These amounts greatly exceed the cost of housing, personnel, and other support furnished to the Association by the University.

During the year ended June 30, 2004, the Association donated approximately \$160,000 to the University for the various sports programs. As of June 30, 2004, \$18,509 was donated to the Development Foundation. The amount owed to the University as of June 30, 2004 is \$93,571.

As of June 30, 2004, the Association owes the Southeastern Development Foundation Inc., \$51,721 for assumption of debt relating to renovations to the baseball stadium and football field. During 2004, the Development Foundation donated \$27,419 to the Association for the purpose of the football program.

NOTE H – COMPENSATED ABSENCES

Contracted employees of the Association are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Association's policy is to recognize the costs of compensated absences when actually paid to employees.

SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE I - CONTINGENCIES

The Association was named in a law suit filed in February 2004. The suit is currently in the pre-litigation phase and any estimate of liability for damages is not known at this time. Management is of the opinion that its outcome will not have a significant effect on the Association's financial statements.

OTHER INDEPENDENT AUDITORS' REPORT

Skarda & Silva, L.L.P.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Southeastern Athletics Association, Inc.
Hammond, Louisiana

We have audited the financial statements of Southeastern Athletics Association, Inc. (a non-profit corporation), as of and for the year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Southeastern Athletics Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeastern Athletics Association, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, others within the Association, the Louisiana Legislative Auditor, the federal awarding agencies, and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Marda & Silen, LLP
September 30, 2004

**SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	<u>X</u> _____ no	
Reportable conditions identified?			
not considered to be material weaknesses?	_____ yes	<u>X</u> _____ none reported	
Noncompliance material to financial statements noted?	_____ yes	<u>X</u> _____ no	

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Not applicable.
Reportable conditions identified?	Not applicable.
not considered to be material weaknesses?	
Type of auditors' report issued on compliance for major programs:	Not applicable.
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	Not applicable.

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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Not applicable.

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk audit?	<u>N/A</u>
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Section II - Internal Control & Compliance (Federal Awards)

<u>Item Number</u>	<u>Agency/Program</u>	<u>Questioned Costs</u>
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Not applicable.

**SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004**

Section III - Management Letter

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned/Taken</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
2004-1	Advances totaling \$3,200 paid to employee during Fiscal Year 2004	Funds were paid back in June 2004 and new policy implemented forbidding employee advances	R. Dwayne Shafer	6/1/2004 11/30/2004

**SOUTHEASTERN ATHLETICS ASSOCIATION, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004**

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>	<u>Additional Explanation</u>
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Section I - Compliance and Internal Control Material to the Financial Statements

No reported findings for the year ended June 30, 2003

Section II - Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III - Management Letter

No reported findings for the year ended June 30, 2003