

DEMONS UNLIMITED FOUNDATION

**ANNUAL FINANCIAL REPORT
JUNE 30, 2022**

Demons Unlimited Foundation
Annual Financial Report
June 30, 2022

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report	---	1-3
<u>Financial Statements</u>		
Statement of Financial Position	A	5
Statement of Activities	B	6
Statement of Functional Expenses	C	7
Statement of Cash Flows	D	8
Notes to Financial Statements	---	10-20
<u>Other Reports/Schedules</u>		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	---	22-23
Schedule of Audit Findings	---	24-26
Management's Corrective Action Plan	---	27
<u>Agreed Upon Procedures</u>		
Independent Accountants' Report on the Application of Agreed-Upon Procedures	---	29-34
NCAA Statement of Revenues and Expenses	---	35-36
Notes to NCAA Statement of Revenues and Expenses	---	37

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
Roger M. Cunningham, CPA - A Professional Corporation
Jessica H. Broadway, CPA - A Professional Corporation
Ryan E. Todtenbier, CPA - A Professional Corporation

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Demons Unlimited Foundation

Opinion

We have audited the accompanying financial statements of the Demons Unlimited Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Demons Unlimited Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Audit Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions and events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Other Information

We have previously audited the Demons Unlimited Foundation's financial statements for the year ended June 30, 2021, and we expressed an unmodified opinion on those audited financial statements in our report dated December 16, 2021. In our opinion, the summarized information as of and for the year ended June 30, 2021, presented herein for comparative purposes, is consistent, in material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, on our consideration of Demons Unlimited Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Demons Unlimited Foundation's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the National Collegiate Athletic Association (NCAA), Bylaw 6.2.3.1, we have issued a report dated November 29, 2022, on the results of our agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those compliance areas identified in the NCAA's Bylaw 6.2.3.1 agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.



Thomas, Cunningham, Broadway & Todtenbier
Certified Public Accountants

November 29, 2022
Natchitoches, Louisiana

FINANCIAL STATEMENTS

Demons Unlimited Foundation
Statement of Financial Position
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Assets-		
Current Assets:		
Cash & Cash Equivalents	\$1,346,736	\$1,141,018
Investments	2,039,989	2,360,568
Contributions Receivable	171,653	101,821
Other Receivables	1,660	650
Cash Advances	<u>51,316</u>	<u>0</u>
Total Assets	<u>\$3,611,354</u>	<u>\$3,604,057</u>
Liabilities and Net Assets-		
Current Liabilities:		
Accounts Payable and Accruals	\$ 281,534	\$ 383,200
Current Portion of Long-Term Debt	<u>232,988</u>	<u>222,566</u>
Total Current Liabilities	\$ 514,522	\$ 605,766
Long-Term Debt, Net of Current Portion	<u>169,352</u>	<u>402,977</u>
Total Liabilities	<u>\$ 683,874</u>	<u>\$1,008,743</u>
Net Assets-		
Without Donor Restrictions	\$ 360,732	\$ 639,490
With Donor Restrictions (Note 11)	<u>2,566,748</u>	<u>1,955,824</u>
Total Net Assets	<u>\$2,927,480</u>	<u>\$2,595,314</u>
Total Liabilities and Net Assets	<u>\$3,611,354</u>	<u>\$3,604,057</u>

See independent auditors' report and notes to the financial statements.

Demons Unlimited Foundation
Statement of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
PUBLIC SUPPORT AND REVENUES:				
Contributions	\$ 278,747	\$ 502,301	\$ 781,048	\$ 491,324
Contributions of Nonfinancial Assets	50,332	155,526	205,858	313,354
Fundraising	632,642	462,314	1,094,956	1,108,341
Investment Return, net	(318,052)	0	(318,052)	471,626
Other	43,303	149,999	193,302	207,757
Net Assets Released from Restrictions for Satisfactions of Program Restrictions	<u>659,216</u>	<u>(659,216)</u>	<u>0</u>	<u>0</u>
Total Public Support and Revenues	<u>\$1,346,188</u>	<u>\$ 610,924</u>	<u>\$1,957,112</u>	<u>\$2,592,402</u>
EXPENSES:				
Program Services-				
Facilities	\$ 150,118	\$ 0	\$ 150,118	\$ 31,322
Scholarships	0	0	0	153,199
Team Programs	909,546	0	909,546	1,130,065
Supporting Services-				
Fundraising	129,051	0	129,051	121,117
Management and General	<u>436,231</u>	<u>0</u>	<u>436,231</u>	<u>259,067</u>
Total Expenses	<u>\$1,624,946</u>	<u>\$ 0</u>	<u>\$1,624,946</u>	<u>\$1,694,770</u>
Change in Net Assets	\$ (278,758)	\$ 610,924	\$ 332,166	\$ 897,632
Net Assets, Beginning of Year	<u>639,490</u>	<u>1,955,824</u>	<u>2,595,314</u>	<u>1,697,682</u>
Net Assets, End of Year	<u>\$ 360,732</u>	<u>\$2,566,748</u>	<u>\$2,927,480</u>	<u>\$2,595,314</u>

See independent auditors' report and notes to the financial statements.

Demons Unlimited Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services			Supporting Services			2022 Total
	Facilities	Scholar- ships	Team Programs	Total Program Services	Fund- raising	Management and General	
EXPENSES:							
Equipment Purchases for NSU	\$124,983	\$ 0	\$ 31,025	\$ 156,008	\$ 0	\$ 0	\$ 156,008
Marketing & promotions	0	0	42,511	42,511	14,421	213,434	270,366
Materials & supplies	366	0	291,874	292,240	9,491	20,609	322,340
Professional Services	0	0	13,608	13,608	1,875	14,182	29,665
Scholarships	0	0	0	0	0	0	0
Salaries & benefits transfers to NSU	0	0	303,748	303,748	0	104,368	408,116
Travel	0	0	97,629	97,629	1,301	29,980	128,910
Other Program Services	24,769	0	67,788	92,557	16,807	48,696	158,060
Fundraising	0	0	61,363	61,363	85,156	0	146,519
Administrative	0	0	0	0	0	4,962	4,962
Total Expenses	<u>\$150,118</u>	<u>\$ 0</u>	<u>\$ 909,546</u>	<u>\$1,059,664</u>	<u>\$129,051</u>	<u>\$436,231</u>	<u>\$1,624,946</u>

Comparative Totals for the Year Ended June 30, 2021

	Program Services			Supporting Services			2020 Total
	Facilities	Scholar- ships	Team Programs	Total Program Services	Fund- raising	Management and General	
EXPENSES:							
Equipment Purchases for NSU	\$ 1,621	\$ 0	\$ 0	\$ 1,621	\$ 0	\$ 0	\$ 1,621
Marketing & promotions	0	0	68,703	68,703	21,092	54,963	144,758
Materials & supplies	0	0	358,711	358,711	2,795	29,065	390,571
Professional Services	0	0	6,050	6,050	83,727	11,500	101,277
Scholarships	0	153,199	0	153,199	0	0	153,199
Salaries & benefits transfers to NSU	0	0	332,652	332,652	0	12,343	344,995
Travel	0	0	101,742	101,742	1,167	21,185	124,094
Other Program Services	29,701	0	177,185	206,886	2,863	65,537	275,286
Fundraising	0	0	85,022	85,022	9,473	0	94,495
Administrative	0	0	0	0	0	64,474	64,474
Total Expenses	<u>\$31,322</u>	<u>\$153,199</u>	<u>\$1,130,065</u>	<u>\$1,314,586</u>	<u>\$121,117</u>	<u>\$259,067</u>	<u>\$1,694,770</u>

See independent auditors' report and notes to the financial statements.

Demons Unlimited Foundation
Statement of Cash Flows
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contributions received for operations	\$ 1,999,474	\$ 2,030,344
Interest and dividends received	45,409	58,986
Cash paid for supporting services	<u>(1,573,080)</u>	<u>(1,461,920)</u>
Net Cash Provided by Operating Activities	<u>\$ 471,803</u>	<u>\$ 627,410</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	\$ (72,825)	\$ (542,772)
Proceeds from sales and maturities of investments, net of fees	(95,785)	412,640
Earnings withdrawn from Investments	<u>0</u>	<u>60,000</u>
Net Cash Used by Investing Activities	<u>\$ (168,610)</u>	<u>\$ (70,132)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowment purposes	\$ 125,728	\$ 89,116
Principal payments on notes payable	<u>(223,203)</u>	<u>(139,948)</u>
Net Cash Used by Financing Activities	<u>\$ (97,475)</u>	<u>\$ (50,832)</u>
Net Increase in Cash	\$ 205,718	\$ 506,446
Cash at Beginning of Year	<u>1,141,018</u>	<u>634,572</u>
Cash at End of Year	<u>\$ 1,346,736</u>	<u>\$ 1,141,018</u>

SUPPLEMENTAL DISCLOSURE

Cash payments for interest during the years ended June 30, 2022 and 2021 totaled \$27,512 and \$34,311, respectively.

NOTES TO FINANCIAL STATEMENTS

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2022

Introduction

Demons Unlimited Foundation (the Foundation) was incorporated under Title 12, Chapter 2, Section 201 et seq. and R.S. 17:3390 of the laws of the State of Louisiana as a non-profit organization on October 17, 2013. The organization began operations on July 1, 2013, as the successor to the Northwestern State University Athletic Association, which previously operated under the auspices of the Northwestern State University Foundation.

The primary objectives of the Foundation are: (1) to promote the educational, athletic and cultural welfare of Northwestern State University (the University) and its Athletic Department, its athletic programs and teams that compete in intercollegiate athletic games or competitions, (2) to develop, expand and improve the University's facilities and resources so as to provide broader educational and athletic advantages and opportunities for its students, athletes, and the general public, (3) to solicit and accept funds of all kinds for the purpose of providing scholarships and activities in research or other benefits for the University's athletic programs, and (4) to exercise all powers and authority for the accomplishments of the objectives and purpose of the corporation. The Foundation is governed by a board of directors comprised of thirty-two volunteer members.

Although established to support the University and its athletic program, the Foundation is separate and distinct from the University in law and in fact. As a nonprofit corporation established to support a Louisiana public higher education institution and meeting criteria established in Louisiana R.S. 17:3390B(1)-(3), the Foundation may not be deemed an agent for the University and the Foundation funds are considered private.

The Foundation is required to comply with the provisions set forth in the Affiliation Agreement entered into with the University on June 25, 2013.

1. Summary of Significant Accounting Policies:

The accounting and reporting policies of the Foundation conform to generally accepted accounting principles as applicable to non-profit organizations and are applied on a consistent basis between periods.

The following is a summary of certain significant accounting policies and practices:

A. Basis of Presentation - The Foundation has adopted FASB Financial Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU 2016-14, the Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors. The revenues received and expenses incurred in conducting the mission of the Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Foundation; therefore, the Foundation's policy is to record these net assets as without donor restrictions.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2022

- Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

- B. Basis of Accounting - The accompanying financial statements of the Foundation have been prepared in conformity with generally accepted accounting principles (GAAP) utilizing the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred.
- C. Use of Estimates - 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- D. Endowment Funds - The Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Expenditures from endowed funds are based on donor or other legally imposed restrictions being satisfied. These restrictions are reviewed by management.
- E. Income Taxes - Demons Unlimited Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as “other than private foundation”. Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation’s Form 990, *Return of Organization Exempt from Income Tax*, remains subject to examination by the Internal Revenue Service, generally for three years after filing.
- F. Recently Adopted Accounting Standards –

In September, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures of Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The standard requires not-for-profit entities to expand their financial statement presentation and disclosure of contributed nonfinancial assets (commonly referred to as gifts-in-kind). The standard includes disclosure of information on an entity’s policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The Foundation adopted the standard on a retrospective basis as of July 1, 2021. The standard did not have a material impact on the financial statements. The Foundation has updated disclosures as necessary (See Note 8 – Contributed Nonfinancial Assets).

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2022

- G. Revenue Recognition – The Foundation has adopted the requirements of FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves the guidance for contributions received and contributions made, and provides guidance to organizations on how to account for transactions as contributions or exchange transactions. In addition, it clarifies whether a contribution is conditional.

The Foundation receives private funding in the form of contributions from various individuals and entities. Contributions of cash and other assets are reported as (1) without donor restrictions if they are received without donor restrictions, or (2) with donor restrictions if they are received with donor restrictions. Contributions of donated non-cash assets are recorded at their fair values in the period received. Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Foundation uses the allowance method to determine uncollectible receivables. The allowance is based on prior year experience and management's analysis of specific promises made. At June 30, 2022, there was no allowance.

- H. Investments - The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. The investments are invested in a wide range of asset classes including equities, fixed income, alternative investments, and cash. All investments are pooled to maximize investment efficiency with separate general ledger accounts being maintained for each Endowment and Non-Endowment account. The asset allocations are reviewed annually by the Investment Committee and discussed with the Investment Managers.

Investments are reported at fair value in the statement of financial position, which is determined using quoted market price of identical or similar securities. Investments consist of stocks, mutual and exchange-traded funds, and certificates of deposit. Donated investments are recorded at fair market value at the date of receipt, which is then treated as cost. Realized and unrealized gains and losses on investments, interest and dividends are reflected in the statement of activities within the appropriate net asset category.

- I. Cash and Cash Equivalents - Cash and cash equivalents are considered to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purposes of the statement of cash flows, cash includes amounts in demand deposits, interest-bearing deposits, and money market accounts.
- J. Property, Plant and Equipment - Property, plant and equipment utilized by the Foundation are generally not recorded on the financial statements of the Foundation, as these assets are owned by Northwestern State University of Louisiana. For the year ended June 30, 2022, the Foundation owned no property, plant or equipment.
- K. Functional Allocation of Expenses - Functional expenses are allocated between program services and supporting services. Supporting services include fundraising and general and administrative activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2022

L. Advertising - The Foundation's policy is to expense advertising costs as the costs are incurred.

2. Asset Liquidity:

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while investing available funds in accordance with the Foundation's investment policy. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Foundation considers all expenditures related to its regular, recurring, and ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. The Foundation anticipates revenues to be sufficient to meet its general expenditure needs.

As of June 30, 2022, the following financial assets could be made readily available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 1,346,736
Receivables	173,313
Advances	51,316
Investments	<u>2,039,989</u>
Total financial assets, period end	\$ 3,611,354
Less, those unavailable for general expenditures within one year, due to:	
Donor restrictions for endowments and special projects	<u>(2,340,833)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,270,521</u>

As part of its liquidity management, the Foundation has a policy to structure its financial assets to be made available as general expenditures, liabilities, and other obligations become due.

3. Cash and Cash Equivalents:

At June 30, 2022, the Foundation had cash and cash equivalents (book balances) as follows:

Interest bearing demand deposit accounts	\$1,198,874
Money market accounts	<u>147,862</u>
Total	<u>\$1,346,736</u>

The cash and cash equivalents of the Foundation are subject to the following risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the account holder will not be able to recover its deposits. The Foundation maintains deposit accounts with two local financial institutions. The balances at each of these financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times throughout the year, the Foundation may maintain certain bank accounts in excess of federally insured limits, which is a concentration of credit risk. The risk is mitigated by maintaining deposits in only well capitalized financial institutions. The Foundation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2022

3. Cash and Cash Equivalents (continued):

As of June 30, 2022, the Foundation had \$1,218,311 (bank balances) in the demand deposit checking accounts, of which \$283,580 were insured by FDIC and \$934,731 were unsecured. The Foundation also maintained unsecured money market holdings as part of its managed investment accounts totaling \$147,862 at June 30, 2022.

4. Receivables and Other Assets:

At June 30, 2022, the Foundation had other assets considered to be receivable within one year as follows:

Contributions Receivable	\$171,653
Credit Card Receivables	1,010
Cash Advances	51,316
Due from SideArm	<u>650</u>
Total	<u>\$224,629</u>

5. Investments:

At June 30, 2022, the Foundation had investments summarized as follows:

	Cost	Unrealized Gains/(Losses)	Fair Value
Mutual Funds	\$1,010,856	\$(91,929)	\$ 918,927
Exchange-traded and Closed-end Funds	<u>1,092,704</u>	<u>28,358</u>	<u>1,121,062</u>
Total	<u>\$2,103,560</u>	<u>\$(63,571)</u>	<u>\$2,039,989</u>

Total contributions to investments for the year ended June 30, 2022, were \$72,825 and are included in the Statement of Activities under public support and revenues (contributions). Endowment contributions in the amount of \$125,728 were received in the current year but not transferred to the investment account as of yearend.

Investment return included in the Statement of Activities was comprised of the following for the year ended June 30, 2022:

Interest earned on Investments	\$ 45,409
Investment Fees	(18,449)
Unrealized Loss on Investments	<u>(345,012)</u>
Total Investment Return, net	<u>\$(318,052)</u>

Interest Rate Risk –

This is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, as a means of offsetting exposure to interest rate risk, the Foundation diversifies its investments by security type and institution.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2022

5. Investments (continued):

Credit Risk –

Generally, credit risk is the risk that the issuer of a debt type investment will not fulfil its obligation to the holder of the investment. United States government securities or obligations explicitly guaranteed by the U. S. government are not considered to have credit risk exposure. The Foundation's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the Foundation may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Foundation may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks organized under Louisiana law and national banks having principal offices in Louisiana.

Return Objectives and Risk Parameters –

The primary objective of the program assets is to be a source of funds provided through return on the invested capital for current and future support of the program. Implicit in this objective is the financial goal of preserving and enhancing the inflation-adjusted earning and purchasing power of the Foundation's assets. The long-term objective of the investment of the Foundation's assets is to attain an average annual return of at least 5% of assets over time. To achieve investment objectives, the Foundation's assets are invested solely in the interest of the Foundation and Foundation beneficiaries. The Foundation assets are managed following basic fiduciary responsibilities and obligations. The Foundation's assets are invested in a diversified portfolio of marketable assets, with initial recommendations and allocations shown in Appendix A of the Investment Policy Statement dated January 2, 2014, which is modeled on the parameters of Act 856 of the 2006 Regular Session of the Louisiana Legislature.

Strategies Employed for Achieving Objectives –

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (investment and dividends). Although the policy recognizes the importance of preserving capital, it also must reflect that varying degrees of investment risk are generally regarded with increased returns that compensate for additional risk. Additionally, risk greater than that of stable, long-term low-risk securities will be required to preserve the purchasing power of the Fund.

Spending Policy and How the Investment Objectives Relate to Spending Policy –

It is recognized that in order to preserve the purchasing power of the Foundation's assets, the long-term average spending should be no greater than the long-term real return of the Fund. Annual spending of up to 5% of the market value of the Foundation's assets may be made from the earnings of the investment endowments. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2022

6. Fair Value of Financial Instruments:

The Foundation has adopted FASB Accounting Standards Codification Topic 820, “Fair Value Measurements”. Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume).

Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation’s own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual Funds	\$ 918,927	\$0	\$0	\$ 918,927
Exchange-traded and Closed-end Funds	\$1,121,062	\$0	\$0	\$1,121,062

7. Accounts Payable and Other Accruals:

At June 30, 2022, the Foundation had accounts payable and other accrued liabilities as follows:

Accounts Payable to Vendors	\$144,689
Due to NSU Athletics	114,585
Tickets due to NSU	7,677
Credit Card Payable	8,261
Sales Tax Payable	(358)
Interest Payable	<u>6,680</u>
Total	<u>\$281,534</u>

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2022

8. Contributed Nonfinancial Assets:

For financial years ending on June 20, contributed nonfinancial assets recognized within the statements of activities include:

	<u>2022</u>	<u>2021</u>
Team Meals	\$ 46,500	\$ 18,156
Athletic Uniforms	101,476	117,549
Marketing Advertising	0	32,077
Other Operating Services	5,450	25,410
Maintenance Services	2,100	1,000
Medical Expense	0	84,042
Courtesy Vehicles (Usage)	0	29,600
Scholarship Auction Items	<u>50,332</u>	<u>5,520</u>
	<u>\$205,858</u>	<u>\$313,354</u>

Contributed materials and supplies received by the Foundation are recorded as in-kind contribution revenue with a corresponding increase in related expenses. Donated meals and athletic uniforms are valued based upon estimates of the fair market value or wholesale value that would be received selling similar products in the United States. All donated meals and uniforms were utilized by the Foundation's athletic programs. There were no donor-imposed restrictions associated with the donated items.

Contributed services, including marketing, advertising, maintenance, and other operating services received by the Foundation are valued based on the estimates of the current fair market value of similar services. All of these donated services were utilized by the Foundation's athletic programs. There were no donor-imposed restrictions associated with the donated services.

Contributed medical expenses recognized are comprised of services provided by medical providers to student-athletes. These contributed medical services are valued and reported at the estimated fair value on current rates for similar medical services. There were no donor-imposed restrictions associated with the donated medical services.

Contributions of courtesy vehicle usage include vehicles provided for the various coaches and staff of the athletic department by local automobile dealerships. These vehicles are donated for usage only and are returned to the dealership at year-end. The fair values are based on the estimated cost of leasing similar vehicles. All of these courtesy vehicles were utilized by the Foundation's athletic department personnel. There were no donor-imposed restrictions associated with these vehicles.

The Foundation also receives in-kind contributions related to special events and fundraising campaigns. It is the policy of the Foundation to sell all of these contributed items at the scholarship auction and other fundraising events. These items are valued according to the actual cash proceeds received at the auction or event.

9. Compensation Paid to Board Members:

The members of the Board of Directors serve as volunteers and receive no compensation.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2022

10. Long-Term Debt:

The following is a summary of debt transactions for the year ended June 30, 2022:

The Foundation executed a Promissory Note with the Bank of Montgomery on June 26, 2017, for a line of credit to secure funds for a new Scoreboard Project at Turpin Stadium. The amount of the note was \$696,333 with an interest rate of 4.5%. Loan proceeds in the amount of \$696,333 were advanced to the Foundation. In January, 2018, the loan was restructured after completion of the project. The loan is to be repaid in 5 annual installments of \$159,574 beginning December 1, 2018, with final payment due on December 1, 2022.

The Foundation executed a Promissory Note with Exchange Bank and Trust Company on April 24, 2019, to secure funds for improvements to the baseball facilities at the University. The amount of the note was \$400,100 with an interest rate of 4.5%. After restructure, the loan is to be repaid in five annual installments of \$91,141 beginning April 30, 2020, with final payment due on April 30, 2024. Due to economic uncertainty related to the COVID-19 pandemic, the bank waived the principal payment that was due in 2021. The loan maturity date was thereby extended to April 30, 2025.

Changes in long-term debt for the year ending June 30, 2022, are as follows:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Amount Due</u> <u>in one Year</u>
Notes Payable -					
Bank of Montgomery	\$298,595	\$ 0	\$145,475	\$153,120	\$153,120
Exchange Bank-2019	<u>326,948</u>	<u>0</u>	<u>77,728</u>	<u>249,220</u>	<u>79,868</u>
Total	<u>\$625,543</u>	<u>\$ 0</u>	<u>\$223,203</u>	<u>\$402,340</u>	<u>\$232,988</u>

The terms of the remaining individual debt issues of the Foundation are as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Balance Due</u>
Notes Payable -				
Bank of Montgomery	4.50%	12/01/2022	\$703,802	\$153,120
Exchange Bank-2019	4.50%	04/30/2025	\$400,100	\$249,220

The annual requirements to amortize all debt outstanding as of June 30, 2022, including interest payments, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$232,988	\$17,727	\$250,715
2024	83,462	7,679	91,141
2025	<u>85,890</u>	<u>5,252</u>	<u>91,142</u>
Total	<u>\$402,340</u>	<u>\$30,658</u>	<u>\$432,998</u>

Total interest expense incurred and accrued on long-term debt for the year ended June 30, 2022 was \$24,769 and is included on the Statement of Activities under Program Services-Facilities expenses.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2022

11. Net Assets with Donor Restrictions:

At June 30, 2022, net assets with donor restrictions are restricted to the following:

	<u>Special Projects</u>	<u>Endowments for Scholarships</u>	<u>Total</u>
Balance at June 30, 2021	\$ (97,548)	\$ 2,053,372	\$ 1,955,824
Contributions	532,099	125,728	657,827
Fundraising	462,314	-	462,314
Investment Income	-	-	-
Other income/(expense)	149,999	-	149,999
Released from restriction	(659,216)	-	(659,216)
Balance at June 30, 2022	<u>\$ 387,648</u>	<u>\$ 2,179,100</u>	<u>\$ 2,566,748</u>

At June 30, 2022, the portion of donor-restricted net assets consisting of endowments primarily established to support University athletic scholarships totaled \$2,179,100. Other donor-restricted net assets included \$300,844 restricted for the Sports Performance Center capital project and \$86,804 restricted for other projects.

During the year ended June 30, 2022, net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restrictions specified by donors as follows:

Equipment purchases	\$156,008
Marketing and promotions	42,511
Professional services	13,608
Transfers to NSU	303,748
Other program services expenses	81,978
Fundraising	<u>61,363</u>
Total Restrictions Released	<u>\$659,216</u>

12. Underwater Endowments:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2022, deficiencies existed in the donor-restricted endowment funds, which all combined have an original gift value of \$2,084,069, and a current value of \$2,039,989. Deficiencies usually result from unfavorable market fluctuations that occur over the life of the endowment. The Foundation did not withdraw any amount from principal investments or earnings in the current year.

The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

13. Lease Commitments:

At June 30, 2022, the Foundation was not obligated under any capital or operating lease commitments.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2022

14. Litigation:

There was no outstanding litigation against the Foundation at June 30, 2022.

15. Risk Management/Contingencies:

Investments are made by diversified investment managers whose performance is monitored by the Foundation's executive committee. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation. The Foundation believes concentration risk in the portfolio as it relates to credit, geography, and industry is mitigated by the investment policies of the Foundation and diversified approach taken by the investment managers.

16. Affiliation Agreement:

The purpose of the Foundation is to receive, hold, invest, and administer property and to make expenditures to support programs and activities designed to advance, promote, or otherwise benefit Northwestern State University and its Athletic Program. Because of the close association of the Foundation with the University, an affiliation agreement was originally entered into by both parties on June 25, 2013. The agreement is valid until such a time as one of the parties terminates the agreement with 90 days written notice.

17. Related Party Transactions:

Pursuant to the affiliation agreement between the Foundation and Northwestern State University, the University provides certain personnel services and usage of space and equipment for Foundation operations. The estimated value of these personnel services for the year ended June 30, 2022 was \$72,778. The fair value of the usage of space and equipment cannot be objectively determined. In return, the Foundation provides, solicits and manages funds for the benefit of the University.

18. Comparative Totals for Prior Year:

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

19. Subsequent Events:

Management has evaluated subsequent events through November 29, 2022, the date which the financial statements were available to be issued, noting no such issues that required additional disclosure in the financial statements.

OTHER REPORTS/SCHEDULES

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
Roger M. Cunningham, CPA - A Professional Corporation
Jessica H. Broadway, CPA - A Professional Corporation
Ryan E. Todtenbier, CPA - A Professional Corporation

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

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

To the Board of Directors of
Demons Unlimited Foundation

We have audited, in accordance with the 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, the financial statements of Demons Unlimited Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Demons Unlimited Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Demons Unlimited Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Demons Unlimited Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified four deficiencies in internal control that we consider to be material weaknesses, identified as *Items 2022-001* through *2022-004* in the attached schedule of audit findings.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Demons Unlimited Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Demons Unlimited Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purposes. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPAs

Thomas, Cunningham, Broadway & Todtenbier
Certified Public Accountants

November 29, 2022
Natchitoches, Louisiana

Demons Unlimited Foundation
Schedule of Audit Findings
For the Year Ended June 30, 2022

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Demons Unlimited Foundation for the year ended June 30, 2022.
2. Audit procedures identified four instances of deficiencies in internal control that we consider to be material weaknesses, identified as *Items 2022-001* through *2022-004* below.
3. No instances of noncompliance material to the financial statements of Demons Unlimited Foundation were disclosed during the audit.
4. Demons Unlimited Foundation was not subject to a federal single audit for the year ended June 30, 2022.

B. Financial Statement Findings

Internal Control -

2022-001 Bank Reconciliations

Criteria - A cash reconciliation that reconciles the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors. Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. In preparing the bank reconciliations, all items should be investigated and corrected in that period.

Condition - The Foundation failed to perform bank reconciliations in a timely manner throughout the current year. Outstanding items were not properly investigated or corrected.

Cause - The Foundation did not follow existing policies and procedures to ensure that bank reconciliations are timely and accurately prepared.

Effect - Material errors and omissions could go undetected if the cash accounts are not reconciled properly, leading to material misstatements in the financial reports.

Recommendation - We recommend that all bank accounts be reconciled to the general ledger within two months of the related statement closing date, that reconciliations be reviewed by management, and that outstanding reconciling items be investigated and corrected.

Demons Unlimited Foundation
Schedule of Audit Findings (continued)
For the Year Ended June 30, 2022

B. Financial Statement Findings (continued)

Internal Control -

2022-002 *Endowments and Investment Account Reconciliations*

Criteria - Adequate internal controls require that donations to endowments be properly recorded and reconciled to the general ledger on a timely basis.

Condition - Donations to endowments were not timely transferred to the investment account during the current year. Investment accounts were not reconciled to the monthly brokerage statements, causing improper recording of appreciation/depreciation of the endowment accounts.

Cause - The Foundation did not follow existing policies and procedures to ensure that endowments are timely transferred to the investment account and are accurately allocated between the named scholarships.

Effect - Failure to properly record and reconcile the endowment and investment accounts adversely effects the reliability of the financial statements.

Recommendation - We recommend that all endowment and investment accounts be reconciled completely in a timely and accurate manner, and that the Foundation take steps to timely transfer endowment donations to the investment account.

2022-003 *Expenditures and Credit Cards*

Criteria - Adequate internal controls require that expenditures, including credit card transactions, be reviewed for proper approval and recording. Supporting documentation should be maintained and made available for all expenditures.

Condition - The Foundation failed to obtain appropriate approval on a significant number of transactions selected for review. Some items selected for review were found to not be paid in a timely manner. Supporting documentation for some expenditures were not able to be located during the testing procedures. Additionally, credit card expenditures were not recorded for two months during the current year.

Cause - The Foundation did not ensure consistent application of established internal controls over all expense transactions.

Effect - Improper approval and recording of expenditures could result in misstatement of the financial statements. Improper maintenance of supporting documentation for expenditures could result in misstatements, whether due to error or fraud, to be undetected or corrected in a timely manner.

Recommendation - We recommend that the Foundation take steps to ensure compliance with existing internal control procedures with regard to expenditures.

Demons Unlimited Foundation
Schedule of Audit Findings (continued)
For the Year Ended June 30, 2022

B. Financial Statement Findings (continued)

Internal Control -

2022-004 *Contributed Nonfinancial Assets (Gifts-in-Kind)*

Criteria - Adequate internal controls require that contributed nonfinancial assets (also known as gifts-in-kind) be properly documented and recorded as revenues and expenditures in accordance with their fair value.

Condition - The Foundation failed to properly record donated items and services related to the various auctions and other athletic functions. Documentation of the fair value and method of determining fair value was not maintained for all donated items.

Cause - The Foundation did not ensure consistent application of established internal controls over all contributed nonfinancial assets transactions.

Effect - Failure to record revenues and expenses for donated materials and services could result in misstatement of the financial statements.

Recommendation – We recommend that the Foundation implement internal control procedures to ensure complete and accurate recording of contributed nonfinancial assets.

C. Prior Year Findings

No matters were reported.

Demons Unlimited Foundation
Management's Corrective Action Plan
For the Year Ended June 30, 2022

Management presents the following Corrective Action Plan in response to the audit findings for the year ended June 30, 2022:

2022-001 Bank Reconciliations-

Resource Requirements: DUF will train and mandate all Budget Heads and Personnel on mandatory supervision of regulatory business office practices. DUF will acquire training for all staff, on the QuickBooks accounting system. DUF will additionally hire personnel to fill the vacant positions and train those individuals to follow policies and procedures for bank reconciliations. DUF will train new staff on all monthly procedures, practices, and protocols. This will ensure timely, accurate reconciliations to maintain proper internal controls over these processes.

2022-002 Endowments and Investment Account Reconciliations-

Resource Requirements: DUF will train all Budget Heads and Personnel on the mandatory supervision of business office practices pertaining to monthly deposits and transfers for Endowment and Investment accounts. DUF will also hire personnel to fill the vacant positions and train those individuals to follow policies and procedures for account reconciliations and transfers. This will ensure timely, accurate reconciliations to maintain proper internal controls over these processes. These positions will also be expected to properly communicate on policies, procedures and timelines to ensure timely deposits and transfers to investment and endowment accounts.

2022-003 Expenditures and Credit Cards-

Resource Requirements: DUF will mandate Budget Head's and Senior Personnel's responsibilities in ensuring timely supervision of policy and procedure in reporting expenditures and credit card expense reporting, reconciliation, and payment. DUF will acquire training for all staff, on the QuickBooks accounting system. Additionally, DUF will hire personnel to fill the vacant positions and train those individuals to follow policies and procedures for account reconciliations. This will ensure timely, thorough, and accurate maintenance of supportive documentation for expenditures. These positions will properly ensure compliance with existing expenditure internal control procedures.

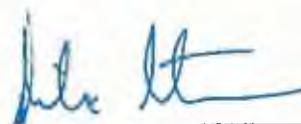
2022-004 Contributed Nonfinancial Assets (Gifts-in-Kind)

Resource Requirements: DUF will acquire training for all staff, current and future hires, on the Agilon reporting system. DUF will hire additional personnel to fill the vacant positions and train those individuals to follow policies and procedures to ensure Gifts-in-Kind are properly documented and recorded as revenues and expenditures in accordance with their fair value.

Submitted by:



Kevin Bostian
NSU Athletic Director and
DUF Executive Director



Mike Newton
Board President

AGREED UPON PROCEDURES

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
Roger M. Cunningham, CPA - A Professional Corporation
Jessica H. Broadway, CPA - A Professional Corporation
Ryan E. Todtenbier, CPA - A Professional Corporation

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLICATION OF AGREED-UPON PROCEDURES**

To the Board of Directors
Demons Unlimited Foundation
Athletic Fieldhouse
468 Caspari Street
Natchitoches, LA 71497

We have performed the procedures enumerated below on the accompanying National Collegiate Athletic Association (NCAA) Statement of Revenue and Expenses of the Demons Unlimited Foundation, for the year ended June 30, 2022. The management of Demons Unlimited Foundation is responsible for the statement and its compliance with the NCAA reporting requirements.

Demons Unlimited Foundation has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the provisions of NCAA Bylaw 3.2.4.17, with regard to the reporting of revenue and expenses required in NCAA financial reporting information. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

Agreed-Upon Procedures for Affiliated and Outside Organizations

1. We obtained the Statement of Revenues and Expenses for the Foundation for the year ending June 30, 2022. We agreed the amounts reported in the Statement to the Foundation's general ledger. The Statement of Revenues and Expenses is included and made a part of this agreed-upon procedures report.

We found no exceptions as a result of these procedures.

2. We reviewed the audited financial statements of the Foundation for the year ending June 30, 2022, to ascertain any corrective action in response to comments concerning the Foundation's internal control structure, if any.

Internal control findings were identified in the audited financial statements of the Foundation for the year ending June 30, 2022. We reviewed the corrective action plan provided by the Foundation.

Agreed-Upon Procedures for Revenues and Expenses

Revenues

1. Contribution revenue for the year ended June 30, 2022 was compared to prior period amounts. The total amount of \$1,390,401 was agreed to the supporting schedule provided by the Foundation. A sample of 51 items was selected from the schedule and vouched to supporting documentation. Total contributions were compared to the amounts recorded in the general ledger. We searched for contributions by any organization, agency or individual (e.g., contributions by corporate sponsors) that constituted 10 percent or more of all contributions received during the reporting period.

As a result of these procedures, we noted a 31% (or \$325,800) increase in contributions compared to the prior year. All items sampled were vouched to supporting deposits and donor receipts. We identified no organization, agency, or individual that contributed 10 percent or more of all contributions received during the year ended June 30, 2022.

2. In-Kind contributions for the year ended June 30, 2022, were compared to the prior period amounts. The total amount of \$50,332 was agreed to the supporting schedule provided by the Foundation. A sample of four items was selected from the schedule and vouched to supporting documentation. Total in-kind contributions were compared to the amounts recorded in the general ledger.

As a result of these procedures, we noted an increase of \$14,106 (or 39%) in In-Kind contributions compared to the same category for the prior year. All items sampled were vouched to supporting deposits, donor receipts, and/or in-kind contracts. We noted \$55,550 erroneously reported as GIK contributions, which were reclassified to GIK sponsorships. Exceptions were noted in the sampling due to lack of supporting documentation for all in-kind contributions.

3. The Foundation's participation in revenues from NCAA/Conference distributions during the year ended June 30, 2022 were compared to the prior period amounts. The related revenues of \$138,999 were compared and agreed to the supporting schedule provided by the Foundation and to the general ledger. A sample of one transaction was selected from the schedule and vouched to supporting documentation.

We noted a decrease of \$50,550 (or 27%) in NCAA/Conference distributions compared to the same category for the prior year. The item sampled was vouched to the supporting deposit, with no exceptions noted.

4. Revenue from Program Sales, Concessions, Novelty Sales and Parking was compared to the prior year amounts. The total amount of \$25,953 was recalculated and agreed to the supporting schedule provided by the Foundation. Total revenues were compared to the amounts recorded in the general ledger.

We noted a \$2,777 (12%) increase in Program Sales, Concessions, Novelty Sales and Parking revenue compared to the prior year. We found no exceptions as a result of these procedures.

5. Revenue from Sponsorships for the year ended June 30, 2022, were compared to the prior period amounts. The total amount of \$632,347 was agreed to the supporting schedule provided by the Foundation. A sample of 14 items was selected from the schedule and vouched to supporting documentation. Total sponsorship revenues were compared to the amounts recorded in the general ledger.

We identified a 16% (or \$125,509) decrease from the prior year, as a result of nonrenewal of some previous sponsorship agreements. All items sampled were vouched to supporting deposits and/or sponsor agreements, with no exceptions noted. Total amounts were agreed to the supporting schedule and general ledger with no exceptions noted.

6. Sports camp revenues of \$23,248 for the year ended June 30, 2022 were compared to the prior year and agreed to supporting schedules provided by the Foundation. Total sports camp revenues were recalculated and compared to the amounts recorded in the general ledger.

We noted a \$22,953 (50%) decrease in sports camp revenues compared to the previous year. Total amounts were agreed to the supporting schedule and general ledger with no exceptions noted.

7. Endowment and Investment Income for the year ended June 30, 2022, was compared to the prior period amounts. The total loss of \$299,603 was agreed to the supporting schedule provided by the Foundation and vouched to supporting documentation. Total amounts were compared to the general ledger.

We noted a \$345,012 unrealized loss on investments and interest income of \$45,409 for the year ended June 30, 2022. These amounts were vouched to supporting brokerage statements and agreed to the general ledger, with no exceptions as a result of these procedures.

8. Other Operating Revenues for the year ended June 30, 2022 were compared to the prior year and agreed to supporting schedules provided by the Foundation. Related revenues of \$13,885 were compared to the general ledger amounts.

We found no exceptions as a result of these procedures.

Expenses

1. There were no Athletics Student Aid expenses reported for the year ended June 30, 2022, compared to \$153,199 in the prior year. As such, there were no items to be selected and vouched to supporting documentation.
2. There were no Guarantee expenses reported for the year ended June 30, 2022, compared to \$8,312 in the prior year. As such, there were no items to be selected and vouched to supporting documentation.
3. A schedule of salaries, benefits and bonuses paid to coaches for the year ended June 30, 2022 was provided by the Foundation. The Foundation awards supplemental compensation to coaches for championships earned, post-season participation, vehicle stipends, housing stipends, and other salary supplements in accordance with the plan approved by its board of directors. These payments are made to the coaches through the Northwestern State University payroll system and reimbursed to the University by the Demons Unlimited Foundation. Eight items were selected for sampling and vouched to supporting documentation. Coaching salaries, benefits and bonuses of \$303,750 for the year ended June 30, 2022 were compared and agreed to the general ledger.

We noted an 8% (or \$28,902) decrease in these expenses compared to the prior year. We found no exceptions as a result of these procedures.

4. A schedule of support staff expenses paid by the University and related entities for the year ended June 30, 2022 was provided by the Foundation. The total was compared and agreed to the supporting schedule and the general ledger. Four items were randomly selected and vouched to supporting documentation.

We noted a \$92,025 increase in support staff expenses compared to the prior year, due to the hiring of an Assistant Athletic Director in March of 2022. The items sampled were vouched to supporting documentation provided by the Foundation. Total category expenses of \$104,368 was compared and agreed to the supporting schedule and general ledger with no exceptions identified.

5. Recruiting expenses for the year ended June 30, 2022 were compared to the prior year, recalculated, and agreed to the supporting schedule provided by the Foundation. Six items were selected for sampling and vouched to supporting documentation.

We noted a \$57,639 increase in recruiting expenses compared to the prior year. Three items selected for sampling were vouched to supporting invoices and approval forms. Exceptions were noted on the remaining three items, in that supporting documentation was not available for review. Total recruiting expenses of \$106,500 were compared and agreed to the supporting schedule and general ledger.

6. Team travel expenses for the year ended June 30, 2022 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. One item was selected for sampling and vouched to supporting documentation.

We noted a \$62,276 decrease in team travel compared to the prior year. All items selected for sampling were vouched to supporting invoices and approval forms, with no exceptions noted. Total team travel expenses of \$9,415 were compared and agreed to the supporting schedule and general ledger with no exceptions noted.

7. Equipment, uniform and supplies expenses for the year ended June 30, 2022 was compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of five equipment, uniform and supplies expenses from the supporting schedule were vouched to supporting documentation. Total related expenses were compared and agreed to the general ledger.

We noted a \$36,142 (or 17%) decrease in equipment, uniform and supplies expenses compared to the prior year. Four of the five items selected for sampling were vouched to supporting invoices and approval forms, as well as gift-in-kind contracts, noting no exceptions. There was one exception, in that one of the selected items had no supporting documentation. Total category expenses of \$173,518 were compared and agreed to the supporting schedule and general ledger, with no exceptions noted.

8. Game expenses of \$21,493 for the year ended June 30, 2022 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of one expense item from the supporting schedule was vouched to supporting documentation. Total game expenses were compared and agreed to the general ledger.

We noted a \$14,886 increase in game expenses compared to the prior year. The sample selected for testing was vouched to supporting invoice and approval form, noting no exceptions. Total game expenses of \$21,493 were compared and agreed to the supporting schedule and general ledger with no exceptions noted.

9. Fund raising, marketing and promotion expenses of \$393,120 for the year ended June 30, 2022 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of 14 items were selected from the supporting schedule and were vouched to supporting documentation. The total was compared and agreed to the general ledger.

We noted a 21% increase in fundraising, marketing and promotion expenses compared to the prior year. Eleven of the 14 items selected for sampling were vouched to supporting invoices and/or contracts, with no exceptions noted. Exceptions were noted for three of the selected items, in that no supporting documentation was available for review. Total expenses were compared and agreed to the supporting schedule and general ledger, with no exceptions noted.

10. Sports camp expense of \$13,196 for the year ended June 30, 2022 was compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of two items was selected from the supporting schedule and vouched to supporting documentation. Total expenses were compared and agreed to the general ledger.

We noted a 39% decrease in camp expenses compared to the prior year. All items selected for sampling were vouched to supporting invoices, approval forms, and camp summaries, with no exceptions noted. Total expenses were compared and agreed to the supporting schedule and general ledger with no exceptions noted.

11. Athletic Facilities Debt Service, Leases and Rental Fees expenses of \$254,825 for the year ended June 30, 2022 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. Four items were selected and vouched to supporting documentation. Total related expenses were compared and agreed to the general ledger.

Principal and interest expenses were vouched to supporting bank loan statements, with no exceptions noted. Total expenses in this category include principal payments made on long-term debt in the amount of \$223,203. Total expenses were compared and agreed to the supporting schedule and general ledger with no exceptions noted.

12. Direct overhead and administrative expenses of \$48,247 for the year ended June 30, 2022 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of two items was selected from the schedule and vouched to supporting documentation. Total related expenses were compared and agreed to the general ledger.

We noted a 48% decrease in direct overhead and administrative expenses compared to the prior year. All items selected for sampling were vouched to supporting invoices and appeared to be properly journalized. Related expenses for this category were compared and agreed to the supporting schedule and general ledger, with a \$182 variance noted. The schedule was corrected.

13. Medical expenses and medical insurance expense of \$11,121 for the year ended June 30, 2022 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. One item was selected from the supporting schedule and vouched to supporting documentation. Total related expenses for this category were compared and agreed to the general ledger.

We noted a \$79,756 decrease in medical and medical insurance expenses compared to the prior year. The item selected for sampling was vouched to supporting invoices, with no exceptions noted. Related expenses for this category were compared and agreed to the supporting schedule and general ledger, noting no exceptions.

14. Memberships and dues expenses of \$19,753 for the year ended June 30, 2022 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. One item was selected from the supporting schedule and vouched to supporting documentation. Total membership and dues expenses were compared to the general ledger.

We noted a \$15,395 increase in memberships and dues expenses compared to the prior year. For the one item selected for sampling, we noted an exception in that no supporting documentation was available for review. Total expenses in this category were compared and agreed to the supporting schedule and general ledger.

15. Expenses for Student Athlete Meals in the amount of \$72,757 for the year ended June 30, 2022 were agreed to the supporting schedule provided by the Foundation. A sample of five items were selected from the schedule and vouched to supporting documentation. Total student athlete meals expenses were compared and agreed to the general ledger.

We noted a \$15,459 increase in student athlete meals compared to the prior year. The selected items were vouched to supporting invoices and sponsor contracts (GIK) with no exceptions noted. Related expenses for this category were compared and agreed to the supporting schedule and general ledger, with no exceptions noted.

16. Other operating expense of \$178,525 for the year ended June 30, 2022 was compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of six items was selected from the supporting schedule and vouched to supporting documentation. Total other operating expense was compared and agreed to the general ledger.

We noted a 27% (\$66,454) decrease in other operating expenses when compared to the prior year. All items selected for sampling were vouched to supporting invoices, with one exception noted. Related expenses for this category were compared and agreed to the supporting schedules and general ledger.

Other Agreed Upon Procedures

1. We directly confirmed the cash balances recorded at the end of the reporting period by the Foundation and reviewed the related year-end bank reconciliations.

We found no exceptions as a result of this procedure.

2. We obtained and inspected the minutes of the Foundation's governing body during the year ended June 30, 2022.

As a result of these procedures, we noted three meetings of the Foundation's board during the year ended June 30, 2022.

3. We selected a sample of financial transactions discussed in the minutes and compared and agreed each selection to the Foundation's accounting records.

We found no exceptions as a result of this procedure.

4. We obtained and documented an understanding of the internal controls in place surrounding revenues and expenses related to the Foundation.

We made inquiries of the Foundation's executive director relating to the procedures and internal accounting controls, including departmental organization, control consciousness of staff, competency of personnel, adequate safeguarding and control of records, and procedures for handling of receipts. We documented our understanding of these internal controls. During the course of our engagement, we noted deficiencies in internal controls which were reported as audit findings.

We were engaged by the Demons Unlimited Foundation to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion on the compliance of the accompanying NCAA Statement of Revenue and Expenses of Demons Unlimited Foundation for the year ended June 30, 2022. According, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Demons Unlimited Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's

November 29, 2022
Natchitoches, Louisiana

DEMONS UNLIMITED FOUNDATION
NCAA STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Football	Men's Basketball	Women's Basketball	Other Sports	Non- program Specific	Total
REVENUES:						
<u>Operating Revenues</u>						
Ticket Sales	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Direct State/Govt Support	0	0	0	0	0	0
Student Fees	0	0	0	0	0	0
Direct Institutional Support	0	0	0	0	0	0
Less transfers to University	0	0	0	0	0	0
Indirect Institutional Support	0	0	0	0	0	0
Guarantees	0	0	0	0	0	0
Contributions	98,549	99,901	56,732	469,119	666,100	1,390,401
In-Kind Contributions	0	0	0	0	50,332	50,332
Compensation/Benefits paid by 3rd Pty	0	0	0	0	0	0
Media Rights	0	0	0	0	0	0
NCAA Distributions	0	0	0	0	138,999	138,999
Conference Distributions	0	0	0	0	0	0
Program Sales, Concessions, Novelty Sales and Parking	0	0	3,141	22,812	0	25,953
Royalties, Advertisements and Sponsorships	25,872	4,000	4,620	57,184	540,671	632,347
Sports Camp Revenues	458	10,965	9,925	1,500	400	23,248
Endowment and Investment Income	0	0	0	0	(299,603)	(299,603)
Other Operating Revenue	154	10,185	0	1,000	2,546	13,885
Football Bowl Revenue	0	0	0	0	0	0
Total Operating Revenues	\$125,033	\$125,051	\$ 74,418	\$551,615	\$1,099,445	\$1,975,562

EXPENSES:						
<u>Operating Expenses</u>						
Athletics Student Aid	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Guarantees	0	0	0	0	0	0
Coaching Salaries, Benefits and Bonuses paid by the University and Related Entities	54,025	74,671	63,691	111,363	0	303,750
Coaching Other Compensation & Benefits paid by 3 rd Party	0	0	0	0	0	0
Support Staff/Administrative Salaries, Benefits and Bonuses paid by the University and Related Entities	0	0	0	0	104,368	104,368
Support Staff/Administrative Other Compensation & Benefits Paid by 3 rd Party	0	0	0	0	0	0
Severance Payments	0	0	0	0	0	0
Recruiting	49,344	11,365	2,268	30,010	13,513	106,500
Team Travel	1,148	7,172	0	727	368	9,415
Sports Equipment, Uniform and Supplies	35,419	11,382	4,620	101,402	20,695	173,518
Game Expenses	375	200	193	12,781	7,944	21,493
Fund Raising, Marketing and Promotion	11,800	21,153	9,179	35,229	315,759	393,120

(Continued on next page)

DEMONS UNLIMITED FOUNDATION
NCAA STATEMENT OF REVENUES AND EXPENSES (continued)
FOR THE YEAR ENDED JUNE 30, 2022

	Football	Men's Basketball	Women's Basketball	Other Sports	Non- program Specific	Total
Sports Camp Expenses	\$ 0	\$ 9,396	\$ 3,800	\$ 0	\$ 0	\$ 13,196
Spirit Groups	0	0	0	0	0	0
Athletic Facilities, Debt Service, Leases & Rental Fees	156,831	0	0	97,228	766	254,825
Direct Overhead & Admin Expenses	0	4,098	0	17,166	26,983	48,247
Indirect Institutional Support	0	0	0	0	0	0
Medical Expenses and Medical Insurance	9,816	20	40	180	1,065	11,121
Memberships and Dues	8	4,520	0	5,153	10,072	19,753
Student Athlete Meals	12,911	2,965	1,690	8,211	46,980	72,757
Other Operating Expenses	13,393	35,400	2,391	24,472	102,869	178,525
Football Bowl Expenses	0	0	0	0	0	0
Football Bowl Expenses- Coaching Compensation	0	0	0	0	0	0
Total Operating Expenses	\$ 345,070	\$182,342	\$ 87,872	\$ 443,922	\$ 651,382	\$1,710,588
EXCESS(DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>\$(220,037)</u>	<u>\$(57,291)</u>	<u>\$(13,454)</u>	<u>\$ 107,693</u>	<u>\$ 448,063</u>	<u>\$ 264,974</u>

Reconciliation of NCAA Statement of Revenues & Expenses
to Statement of Activities:

Excess of Revenues over Expenses as stated in NCAA Statement	\$264,974
Less: Capital Outlay Expenditures shown in Statement of Activities, but not reported in NCAA Statement of Revenues & Expenses	(156,008)
Add: Principal payment on loans not shown in Statement of Activities but reported in NCAA Statement of Revenues & Expenses (with rounding adjustment)	<u>223,200</u>
Change in Net Assets for period ending June 30, 2022 as stated in Statement of Activities	<u>\$332,166</u>

DEMONS UNLIMITED FOUNDATION
NOTES TO NCAA STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies:

The accompanying Schedule of Revenues and Expenses has been prepared on the accrual basis of accounting.

2. Contributions:

We identified no organization, agency, or individual that contributed 10 percent or more of all contributions received during the year ended June 30, 2022.

3. Capitalization of Assets:

All capital assets acquired by Demons Unlimited Foundation become the property of Northwestern State University of Louisiana. As such, the Foundation has no policy for depreciating assets nor estimating the useful lives of assets.

Capital outlay expenses incurred during the year ended June 30, 2022 included \$156,008 for equipment and facility renovations.

4. Long-Term Liabilities:

The following is a summary of debt transactions for the year ended June 30, 2022:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Amount Due</u> <u>in one Year</u>
Notes Payable -					
Bank of Montgomery	\$298,595	\$ 0	\$146,475	\$153,120	\$153,120
Exchange Bank-2019	<u>326,948</u>	<u>0</u>	<u>77,728</u>	<u>249,220</u>	<u>79,868</u>
Total	<u>\$625,543</u>	<u>\$ 0</u>	<u>\$223,203</u>	<u>\$402,340</u>	<u>\$232,988</u>

The annual requirements to amortize all debt outstanding as of June 30, 2022, including interest payments, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$232,988	\$17,727	\$250,715
2024	83,462	7,679	91,141
2025	<u>85,890</u>	<u>5,252</u>	<u>91,142</u>
Total	<u>\$402,340</u>	<u>\$30,658</u>	<u>\$432,998</u>