

# **ATHLETIC DEPARTMENT NORTHWESTERN STATE UNIVERSITY**

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**FINANCIAL AUDIT SERVICES**

**Agreed-Upon Procedures Report  
Issued February 2, 2023**

**LOUISIANA LEGISLATIVE AUDITOR  
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January 13, 2023

Independent Accountant's Report on the  
Application of Agreed-Upon Procedures

**DR. MARCUS JONES, PRESIDENT  
NORTHWESTERN STATE UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Natchitoches, Louisiana**

We have performed the procedures enumerated below, which were agreed to by you, as President of the Northwestern State University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the University's athletic department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.17 for the year ended June 30, 2022. University management is responsible for the accuracy of the Statement (unaudited) and the related note (unaudited) and the compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the University. Management of the University has acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement. 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.

Procedures were not performed on specific reporting categories that were less than 4% of the total revenues or expenses.

The procedures that we performed and our findings are as follows:

**MINIMUM COMPLIANCE AGREED-UPON PROCEDURES**

**INTERNAL CONTROL**

1. We obtained, through discussion with management, the identity of those aspects of internal control that management considers unique to intercollegiate athletics.



2. We performed procedures to test specific elements of the control environment and accounting systems that are unique to intercollegiate athletics to determine adherence to established policies and procedures relating to revenues and expenses. The following procedures were performed:
  - (a) We randomly selected one cash receipt batch sheet of ticket sales and followed it through the University's cash control system to determine adherence to established policies and procedures.
  - (b) We selected the 10 largest athletic department cash disbursement transactions and followed them through the University's accounting system to determine adherence to established policies and procedures.
  - (c) We inquired of and observed athletic department personnel to determine their compliance with policies and procedures related to the control and safeguarding of unsold tickets.

We found no exceptions as a result of these procedures.

3. We obtained the University's procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the University's intercollegiate athletics program and performed procedures to determine the University's adherence to these procedures.

We found no exceptions as a result of these procedures.

## **STATEMENT OF REVENUES AND EXPENSES**

### **GENERAL PROCEDURES**

1. We obtained written representations from management as to the accuracy of the Statement, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and legislation, completeness of the list of all known affiliated and outside organizations, and other information as we considered necessary for the fiscal year ended June 30, 2022.
2. We verified the mathematical accuracy of the amounts on the Statement and compared and agreed the amounts to supporting schedules provided by the University and/or the University's general ledger.

As a result of these procedures, we noted that University did not include the correct amounts from the Demons Unlimited Foundation (DUF) audit report dated November 29, 2022, resulting in an understatement of revenues by \$245,954 and understatement of expenses by \$802,471. Statement A has been corrected.

3. We compared and agreed a sample of three operating revenue receipts and a sample of three expense disbursements obtained from the supporting schedules to adequate supporting documentation.

We found no exceptions as a result of these procedures.

4. We compared each major revenue and expense account greater than 10% of total revenues or expenses for June 30, 2022, to June 30, 2021, amounts and budget estimates, to identify variations greater than 10%.

We reported the analysis in Appendix A to this report.

### **MINIMUM AGREED-UPON PROCEDURES FOR REVENUES**

1. Based on the University's methodology for allocating student fees to the intercollegiate athletics program, we compared and agreed student fees reported in the Statement to student enrollment. We were to obtain explanations from the University regarding any variances in excess of 5%. We also recalculated the totals. Since the athletic department reported that an allocation of student fees should be countable as generated revenue, we recalculated the totals of its methodology for supporting that the athletic department is able to count each sport, and tied the calculation to supporting documents.

The University allocates the student fees to each sport based on the total athletic budgetary needs of the sport. When comparing student fees reported in the Statement to student enrollment, we identified no variances that exceed 5%.

2. We compared direct institutional support recorded by the University during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation. We recalculated the totals.

The University included \$981,885 of lost revenue funds received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act as direct institutional support. These funds should have been reported as direct state or other governmental support. Also, an entry for athletic books was posted twice, resulting in an overstatement of \$142,837 of direct institutional support and an overstatement of \$142,837 of athletic student aid expense. Statement A was corrected.

3. We compared indirect institutional support recorded by the University during the reporting period with expense payments, cost allocation detail, and other corroborative supporting documentation. We recalculated the totals.

As a result of these procedures, we noted that indirect institutional support in the amount of \$1,366 could not be supported, causing an overstatement of both revenues and expenses. Statement A was corrected.

4. We selected a sample of two contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger and/or the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

5. We compared NCAA distribution amounts recorded in the revenue and expense reporting during the reporting period to the general ledger detail for NCAA distributions and other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

6. We randomly selected a sample of one operating revenue receipt from each revenue category not previously sampled and agreed all operating revenue transactions selected to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

#### **MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES**

1. We selected a sample of 10% of student athletes from the listing of University student aid recipients during the reporting period. We obtained individual student account detail for each selection, and compared total aid in the University's student system to the student detail in the NCAA Compliance Assistant (CA) software. We performed a check of each student selected to ensure his/her information was reported accurately in the NCAA's Membership Financial Reporting System using the criteria found in 2022 NCAA Agreed-Upon Procedures. We recalculated the totals for each sport and overall for all sports.

We found no exceptions as a result of these procedures.

2. We obtained and inspected a list of coaches and support staff/administrative personnel paid by the University and related entities during the reporting period. We selected a sample of three coaches' contracts (one from each of football and men's and women's basketball) from the listing and a sample of two staff/administrative personnel and performed the following:



- (a) We compared and agreed the financial terms and conditions of each selection to the related salaries, benefits, and bonuses recorded by the University and related entities in the Statement during the reporting period.
- (b) We obtained and inspected payroll summary registers for the reporting year for each selection.
- (c) We compared and agreed payroll summary registers for each selection to the related salaries, benefits, and bonuses paid by the University and related entities' expense recorded by the University in the Statement during the reporting period.
- (d) We compared and agreed the totals recorded to the employment contracts executed for the sample selected.
- (e) We recalculated the totals.

We found no exceptions as a result of these procedures.

3. We obtained documentation of the University's team travel policies, and compared and agreed the University's team travel policies to existing University and NCAA-related policies. We also obtained the general ledger detail and compared the detail to the total expenses reported. We recalculated the totals.

We found no exceptions as a result of these procedures.

#### **MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS**

1. We compared the total outstanding University debt to supporting documentation and the University's general ledger.

As a result of these procedures, we noted that all athletics-related debt is held by the DUF and all other outstanding debt is held by the University. The total athletics related debt did not include interest in the amount of \$30,658 causing the amount reported to be understated. The total institutional debt did not equal the sum of amounts held by both the University and DUF, resulting in an understatement of institutional debt by \$432,998.

2. We agreed the total fair market value of University endowments to supporting documentation and the University's general ledger.

As a result of these procedures, we noted that all athletics-dedicated endowments are held by the DUF and all other endowments are held by the University. Athletics-dedicated endowments were understated by

\$176,832 and institutional endowments were understated by \$19,004,675.

### **MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES**

1. We obtained a description of the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets. We ensured that the University's policies and procedures are properly disclosed within the note to the Statement.

We found no exceptions as a result of these procedures (see note 1 to the Statement).

### **MINIMUM AGREED-UPON PROCEDURES FOR AFFILIATED AND OUTSIDE ORGANIZATIONS**

1. We obtained from management a listing of all affiliated and outside organizations for the reporting period. We obtained written representations from management that the DUF is the only outside organization created for or on behalf of the athletic department.

We found no exceptions as a result of these procedures.

2. For all outside organizations that had an independent audit, we obtained the independent auditor's report to identify any significant deficiencies relating to the outside organization's internal controls. We made inquiries of management to document any corrective action taken in response to the significant deficiencies.

The DUF statements were audited by an independent certified public accountant for the year ended June 30, 2022. The audit report dated November 29, 2022, included four material weaknesses on the outside organization's internal control related to bank reconciliations, endowments and investment account reconciliations, expenditures and credit cards, and contributed nonfinancial assets (gifts-in-kind). University management obtained and accepted a corrective action plan from DUF.

### **ADDITIONAL MINIMUM AGREED-UPON PROCEDURES**

1. In order for the NCAA to place reliance on the Division I financial reporting to calculate the NCAA revenue distributions, we performed the following procedures:
  - (a) For Grants-in-Aid, we compared and agreed the sports sponsored and reported in the NCAA Membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report

(CRDE) from the CA system. We were to inquire about any discrepancies and report the justification.

We found no discrepancies as a result of these procedures.

- (b) We compared current year Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies per the Membership Financial Report submission. We inquired and documented an explanation for any variance greater than +/- 4%.

As a result of these procedures, we identified a variance of (4.13%). University management represented that the decrease was the result of the University not awarding as many athletic grants in the current year as it did in the previous year.

- (c) We obtained the University's Sports Sponsorship and Demographics Form submitted to the NCAA for the reporting year between May and August. We validated that the countable NCAA sports reported by the University met the minimum requirements, set forth in Bylaw 20.9.6.3, related to the number of contests and the number of participants. Once the countable sports were validated, we ensured that the University properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

We found no exceptions as a result of these procedures.

- (d) We compared current year number of sports sponsored to prior year reported total per the Membership Financial Report Submission. We were to inquire and document an explanation for any variance.

We found no variances as a result of these procedures.

- (e) We agreed the total number of Division I student athletes, who during the academic year, received a Pell Grant award (e.g., Pell Grant recipients on Full Athletic Aid, Pell Grant recipients on Partial Athletic Aid and Pell Grant recipients with no Athletic Aid) and the total dollar amount of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated from the University's financial aid records, of all student-athlete Pell Grants.

As a result of these procedures, we noted that the Pell Grant recipients reported was understated by one athlete and the total dollar amount of these Pell Grants reported was understated by \$348.

- (f) We compared current year Pell Grants total to prior year reported total per the Membership Financial Report submission. We inquired and documented an explanation for any variance greater than +/- 20 grants.

The variance between current year and prior year Pell Grants was a decrease of 23 grants. Management represented that there are more international students in current year than in prior year and due to the extension year from COVID, there are more graduate student-athletes participating. These student-athletes are not eligible for Pell Grants.

An agreed-upon procedures engagement involves the practitioner performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance of the accompanying Statement and related notes of the University's Athletic Department or on its compliance with NCAA Bylaw 3.2.4.17 or on the effectiveness of the University Athletic Department's internal control over financial reporting for the year ended June 30, 2022. Accordingly, 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 the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the President of the University and is not intended to be, and should not be, used by anyone other than this specified party. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

BL:CR:RR:EFS:aa

NSUNCAA2022

**UNAUDITED**

**Statement A**

**ATHLETIC DEPARTMENT  
NORTHWESTERN STATE UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**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
<b>REVENUES</b>						
Operating revenues:						
Ticket sales	\$141,216	\$17,115	\$16,982	\$34,230	\$5,890	\$215,433
Direct state or other government support					981,885	981,885
Student fees		82,863	151,255	728,966	849,416	1,812,500
Direct institutional support	1,553,964	597,479	543,600	2,117,194	660,844	5,473,081
Indirect institutional support					936,377	936,377
Guarantees	375,000	455,000	81,000	18,000		929,000
Contributions	98,549	99,901	56,734	469,119	808,487	1,532,790
In-kind					50,332	50,332
NCAA distributions					821,031	821,031
Program, novelty, parking, and concession sales	10,154		3,141	22,812		36,107
Royalties, licensing, advertisement, and sponsorships	25,872	4,000	4,620	57,184	662,654	754,330
Sports camp revenues	458	10,965	9,925	9,225	400	30,973
Athletics restricted endowment and investments income					(299,603)	(299,603)
Other operating revenue	154	10,185		5,470	215,393	231,202
Total operating revenues	<u>2,205,367</u>	<u>1,277,508</u>	<u>867,257</u>	<u>3,462,200</u>	<u>5,693,106</u>	<u>13,505,438</u>
<b>EXPENSES</b>						
Operating expenses:						
Athletic student aid	1,802,580	439,674	405,195	2,270,176	14,157	4,931,782
Guarantees		13,000	5,500	5,000		23,500
Coaching salaries, benefits, and bonuses paid by the University and related entities	808,734	508,248	376,334	955,475		2,648,791
Support staff/administrative compensation, benefits and bonuses paid by the University and related entities					1,468,203	1,468,203
Recruiting	49,344	11,365	2,268	30,010	13,513	106,500
Team travel	165,328	159,323	88,064	585,267	45,628	1,043,610
Sports equipment, uniforms, and supplies	151,146	30,490	19,364	130,725	63,181	394,906
Game expenses	52,275	37,490	28,093	75,792	45,889	239,539
Fundraising, marketing, and promotion	11,800	21,153	9,179	35,229	315,759	393,120
Sports camp expenses		9,396	3,800			13,196
Athletic facilities debt service, leases, and rental fees	156,831			97,228	766	254,825
Direct overhead and administrative expenses		4,097		17,166	265,294	286,557
Indirect institutional support					936,377	936,377
Medical expenses and insurance	9,816	3,298	860	17,389	1,065	32,428
Memberships and dues	8	4,520		5,153	10,072	19,753
Student-athlete meals (non-travel)	12,911	2,965	1,690	8,211	46,980	72,757
Other operating expenses	17,893	66,171	19,603	35,797	228,953	368,417
Total operating expenses	<u>3,238,666</u>	<u>1,311,190</u>	<u>959,950</u>	<u>4,268,618</u>	<u>3,455,837</u>	<u>13,234,261</u>
<b>EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES</b>	<u>(\$1,033,299)</u>	<u>(\$33,682)</u>	<u>(\$92,693)</u>	<u>(\$806,418)</u>	<u>\$2,237,269</u>	<u>\$271,177</u>



## **NOTE TO THE FINANCIAL STATEMENT**

### **(Unaudited)**

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#### **1. CAPITAL ASSETS**

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property, 3 years for software with an acquisition cost of \$1,000,000 or more, and 3 to 10 years for internally-generated software with development costs of \$1,000,000 or more. All departments within the University follow standardized policies and procedures prescribed by state laws and regulations for acquiring, approving, depreciating, and disposing of capital assets. The University has no debt associated with its Athletic Department's capital assets.





# **MAJOR REVENUE AND EXPENSE ANALYSIS**

## **(Unaudited)**

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### Appendix A

Appendix A includes an analysis of revenue and expense accounts that exceed 10% of total revenues and expenses. A comparison is presented of current-year amounts to prior-year amounts and of current-year amounts to budget estimates.



**ATHLETIC DEPARTMENT  
NORTHWESTERN STATE UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Major Revenue and Expense Analysis  
For the Year Ended June 30, 2022**

<b>Accounts Exceeding 10% Threshold and Variation Greater Than 10%</b>	<b>Fiscal Year 2022</b>	<b>Fiscal Year 2021</b>	<b>Increase/ (Decrease)</b>	<b>Percent Variance</b>	
<b>Operating Revenues per Statement A</b>					
Student fees	\$1,812,500	\$2,192,448	(\$379,948)	-17%	1
Contributions	\$1,532,790	\$1,064,601	\$468,189	44%	2
<b>Operating Expenses per Statement A</b>					
Coaching salaries, benefits, and bonuses paid by the University and related entities	\$2,648,791	\$2,231,686	\$417,105	19%	3
<b>Budget</b>					
Direct institutional support	<u>Fiscal Year 2022 - Actual</u> \$5,473,081	<u>Fiscal Year 2022 - Budget</u> \$3,958,380	<u>Increase/ (Decrease)</u> \$1,514,701	<u>Percent Variance</u> 38%	4

**NOTES:**

1. Student fees decreased because enrollment decreased in both the Fall 2021 and Spring 2022 semesters.
2. Contributions increased because the University raised more dollars than it did the previous year.
3. The basketball program had a change in staff with the retirement of the long-term basketball coach and the transition to the new basketball staff.
4. The budgeted amount does not include \$1,514,701 of direct support from waivers, gender equity, and system fund transfer.