

ATHLETIC DEPARTMENT
MCNEESE STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 6, 2019

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 14, 2019

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

DR. DARYL BURCKEL, PRESIDENT
MCNEESE STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Lake Charles, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as President of the McNeese 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 3.2.4.15 for the year ended June 30, 2018. University management is responsible for the accuracy of the Statement (unaudited) and the related notes (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. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

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 two 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 fair presentation 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 year ended June 30, 2018.
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.

We noted that other operating revenue was overstated and royalties, licensing, advertisement, and sponsorships were understated by \$295. Statement A was corrected.

3. We compared and agreed a sample of five operating revenue receipts and a sample of five 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 over 10% of total revenues or expenses for June 30, 2018, to June 30, 2017, 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. Using a schedule prepared by the University, we compared the value of the tickets sold, complimentary tickets provided, and unsold tickets for the reporting period per the schedule to the related revenue reported by the University in the general ledger and Statement and to the related attendance figures. We agreed the information on the schedule to the supporting game reconciliations for a random sample of one football, one basketball, and one baseball game. We recalculated the reconciliations for the games tested.

We found no exceptions as a result of these procedures.

2. 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. In addition, since the athletic department reported that an allocation of student fees should be countable as generated revenue, we recalculated the totals of its methodology and ensured that the athletic department is able to count each sport. We tied the calculation to supporting documents.

We found no exceptions as a result of these procedures and identified no variances that exceeded 5%.

3. 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.

We noted that direct institutional support was overstated by \$158,345. The corresponding expenses were also overstated as follows: support staff/administrative compensation, benefits and bonuses paid by the University and related entities by \$144,043; recruiting by \$17; memberships and dues by \$8,000; and other operating expenses by \$6,285. Statement A was corrected.

4. We obtained and reviewed supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10% or more in the aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting period. We recalculated the totals.

We found no exceptions as a result of these procedures.

5. We compared the 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 obtained and inspected agreements related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period for relevant terms and conditions. We compared and agreed related revenues to the general ledger and/or the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected sample of 20% of student athletes, with a maximum of 60, from the listing of University student aid recipients and performed the following:
 - i. We obtained individual student account detail for each selection, and compared total aid in the University's student system to the student's detail in the University report that ties directly to the NCAA Membership Financial Reporting System.
 - ii. We performed a check of each student selected to ensure his/her information was accurately entered directly into the NCAA Membership-Financial Reporting System using the criteria found in 2018 NCAA Agreed-Upon Procedures.
 - iii. We recalculated the totals for each sport and overall for all sports.

For 10 out of the 60 students, the equivalency value and grants-in-aid were not calculated accurately based on criteria found in the 2018 NCAA Agreed-Upon 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 all head coaches' contracts of football and men's and women's basketball from the listing and a sample of two staff/administrative personnel and performed the following:
 - i. 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.

- ii. We obtained and inspected payroll summary registers for the reporting year for each selection.
- iii. 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.
- iv. We compared and agreed the totals recorded to any employment contracts executed for the sample selected.
- v. 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. In addition, we 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.

4. We obtained general ledger detail for the purchase of equipment, uniforms, and supplies and compared the detail to the total expenses reported. We selected a sample of two transactions to validate the existence of the transactions and the accuracy of their recording. We recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS

1. We obtained the repayment schedules and general ledger detail for all outstanding intercollegiate athletics debt during the reporting period. We recalculated the annual maturities (consisting of principal and interest) provided in the schedules obtained. We agreed the total annual maturities and total outstanding athletic debt to supporting documentation and the University's general ledger, as applicable.

We found no exceptions as a result of these procedures.

2. We agreed the total outstanding University debt to supporting documentation and the University's general ledger

We found no exceptions as a result of these procedures.

3. We were to obtain the schedules and general ledger detail of all athletics dedicated endowments maintained by athletics, the University, and affiliated

organizations. We were to agree the fair market value in the schedules to the supporting documentation, and the general ledger.

We obtained the schedules of all athletics dedicated endowments that were generated from the McNeese State University Foundation Inc.'s general ledger. The endowments are owned and held by the McNeese State University Foundation Inc., a private not-for-profit organization and outside organization. These funds are part of the foundation's total endowment/investments and subject to an outside CPA's audit. We reviewed the Foundation's audit report from the same reporting period and noted no findings related to endowments/investments.

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

We found no exceptions as a result of these procedures.

5. We obtained a schedule of athletics related capital expenditures made by athletics, the University, and affiliated organizations during the reporting period. We obtained the general ledger detail and compared the detail to the total expenses reported. We selected a sample of two transactions to validate the existence of the transactions and the accuracy of their recording. We recalculate the totals.

We noted that Athletics Related Capital Expenditures were understated by \$671,514.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

1. We obtained from University management a list of contributions of monies, goods, or services received directly by the intercollegiate athletics program from any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitutes 10% or more of all contributions received for intercollegiate athletics during the reporting period. We ensured the source of the funds, goods, and services, as well as the value associated with these items, were properly disclosed in the notes to the Statement.

We noted the McNeese State University Foundation, Inc., is the only outside organization that provided individual contributions of monies, goods, or services directly to the athletic department that exceeded 10% of the total contributions (see note 1 to the Statement).

2. 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 notes to the Statement.

We found no exceptions as a result of these procedures (see note 2 to the Statement).

3. We obtained from University management the repayment schedules for all outstanding intercollegiate athletics debt maintained by the University during the reporting period. We recalculated the annual maturities, agreed annual maturities to supporting documentation and to the University's general ledger, and ensured the repayment schedule is properly disclosed within the notes to the Statement.

We found no exceptions as a result of these procedures (see note 3 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 McNeese State University Foundation, Inc., and the Cowboy Club Gaming Account were the only outside organizations created for or on behalf of the athletic department.
2. We obtained from management of the University statements for all affiliated and outside organizations and agreed the amounts reported in the statements to the University's general ledger.

As noted above, Athletics Related Capital Expenditures were understated by \$671,514.

3. We obtained from University management a summary schedule of revenues and expenses for or on behalf of intercollegiate athletics programs by affiliated and outside organizations not under the accounting control of the University to be included with the agreed-upon procedures report as follows:

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
Revenues:						
Contributions	\$137,542	\$57,337	\$23,600	\$568,589	\$49,099	\$836,167
Total revenues	137,542	57,337	23,600	568,589	49,099	836,167
Expenses:						
Athletic Student Aid	1,017	216		4,003	5,399	10,635
Guarantees				4,099		4,099
Recruiting	333	5,238	7,629	31,320	1,402	45,922
Team Travel	22	720	1,210	83,757		85,709
Sports Equipment, Uniforms, and Supplies	77,289	7,043	4,210	264,002	1,753	354,297
Game Expenses		225		13,155		13,380
Fund Raising, Marketing and Promotion	9,690			831	21	10,542
Direct Overhead and Administrative Expenses	1,897	1,954	60	60,309	4,625	68,845
Medical Expenses and Insurance		200		1,510	2,574	4,284
Membership and Dues	3,550	7,600	480	16,907	1,637	30,174
Student-Athlete Meals (Non-Travel)	12,938	3,405	2,838	14,299	970	34,450
Other Operating Expense	30,806	30,736	7,173	74,397	30,718	173,830
Total expenses	137,542	57,337	23,600	568,589	49,099	836,167
EXCESS OF REVENUES OVER EXPENSES						
	NONE	NONE	NONE	NONE	NONE	NONE

We obtained written representations from management as to the fair presentation of the summary schedule.

- 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 were to make inquiries of management to document any corrective action taken in response to the significant deficiencies.

The McNeese State University Foundation, Inc., statements were audited by an independent certified public accountant for the years ended June 30, 2018, and 2017. The audit report dated November 5, 2018, included no significant deficiencies on the outside organization's internal control.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

- We compared and agreed the sports sponsored and reported in the NCAA Membership Financial Reporting System to the University's squad lists.

We found no exceptions as a result of these procedures.

- We obtained the University's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports reported by the University met the minimum requirements set forth in Bylaw 20.9.6.3 for the

number of contests and the number of participants in each contest that are counted toward meeting the minimum contest requirement. Once the countable sports were confirmed, we ensured 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.

3. We agreed the total number of Division I student athletes who, during the academic year, received a Pell Grant award and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the University's financial aid records, of all student-athlete Pell Grants.

We found that McNeese incorrectly reported 16 students receiving aid for Men's Track, when 15 students received aid, due to double counting one student.

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 3.2.4.15 or on the effectiveness of the University Athletic Department's internal control over financial reporting for the year ended June 30, 2018. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is 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,



Thomas H. Cole, CPA
First Assistant Legislative Auditor

RE:RM:BH:EFS:ch

MSU NCAA 2018

UNAUDITED

Statement A

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

**Statement of Revenues and Expenses
For the Year Ended June 30, 2018**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	\$844,279	\$22,764	\$23,209	\$119,979		\$1,010,231
Student fees	165,072	133,975	66,144	362,063		727,254
Direct institutional support	1,258,333	69,265	361,143	2,529,620	\$1,201,994	5,420,355
Indirect institutional support					201,618	201,618
Indirect institutional support - athletic facilities debt service, lease, and rental fees					435,213	435,213
Guarantees		395,000	30,000	19,500		444,500
Contributions	398,732	169,226	37,449	819,031	266,798	1,691,236
In-kind	17,718	25,315	9,044	24,292	11,180	87,549
Media rights					3,745	3,745
NCAA distributions	65,547	182,547	189,244	427,829	93,901	959,068
Program, novelty, parking, and concession sales	155,244			8,070	8,016	171,330
Royalties, licensing, advertisement, and sponsorships	262,416	52,500	57,950	238,836	202,602	814,304
Athletics restricted endowment and investments income					7,500	7,500
Other operating revenue				5,132	7,665	12,797
Total operating revenues	<u>3,167,341</u>	<u>1,050,592</u>	<u>774,183</u>	<u>4,554,352</u>	<u>2,440,232</u>	<u>11,986,700</u>
EXPENSES						
Operating expenses:						
Athletic student aid	1,375,213	303,945	273,887	1,951,138	99,160	4,003,343
Guarantees	75,000	19,427	8,000	34,760		137,187
Coaching salaries, benefits, and bonuses paid by the University and related entities	783,398	354,936	219,538	897,129		2,255,001
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	89,145	27,865	33,076	73,499	1,011,014	1,234,599
Severance payments	15,626	23,205	3,273	287	19,192	61,583
Recruiting	74,335	45,219	25,486	86,482	6,348	237,870
Team travel	175,686	134,879	78,572	672,911	994	1,063,042
Sports equipment, uniforms, and supplies	177,808	30,743	20,906	361,933	34,436	625,826
Game expenses	70,215	42,161	50,839	118,498	25,734	307,447
Fundraising, marketing, and promotion	11,461	37		1,118	143,488	156,104
Athletic facilities debt service, leases, and rental fees					435,213	435,213
Direct overhead and administrative expenses	50,532	1,954	60	109,717	15,730	177,993
Indirect institutional support					201,618	201,618
Medical expenses and insurance	44	200		1,509	314,157	315,910
Memberships and dues	18,990	14,675	5,980	19,995	53,908	113,548
Student-athlete meals (non-travel)	100,269	17,655	15,588	49,166	21,635	204,313
Other operating expenses	95,665	39,330	10,456	142,018	157,348	444,817
Total operating expenses	<u>3,113,387</u>	<u>1,056,231</u>	<u>745,661</u>	<u>4,520,160</u>	<u>2,539,975</u>	<u>11,975,414</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>\$53,954</u>	<u>(\$5,639)</u>	<u>\$28,522</u>	<u>\$34,192</u>	<u>(\$99,743)</u>	<u>11,286</u>

NOTES TO THE FINANCIAL STATEMENT

(UNAUDITED)

1. CONTRIBUTIONS

No individuals or outside organizations, other than the McNeese State University Foundation, Inc., contributed monies, goods, or services directly to the athletic department that exceeded 10% of the total contributions included in Statement A. The athletics department recognized one contribution of \$199,751 for a receivable from the Foundation to supplement a fund raising obligation. The contribution is included in Statement A.

2. 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, but the University does not have any infrastructure that meets that criterion. 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.

3. BONDS PAYABLE

The University has the following debt associated with its athletic department's capital assets:

On August 6, 2009, the University entered into a trust indenture with The Bank of New York Mellon Trust Company to obtain financing of the renovation and expansion of the University's athletic field house. Financing of the project is through the issuance of \$6,000,000 University Revenue Bonds, Series 2009. The bonds have a yearly fixed rate of interest at 3.93% and are due in varying installments through 2030.

The following is a detailed summary of bonds payable for the athletic department for the year ended June 30, 2018:

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/2017	(Redeemed) Issued	Principal Outstanding 6/30/2018	Maturity (Years)	Interest Rates	Interest Outstanding 6/30/2018
University Field House Project – Series 2009	August 6, 2009	\$6,000,000	\$4,400,000	(\$265,000)	\$4,135,000	2030	3.93%	\$1,049,015

The following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2018:

Fiscal Year Ending	Principal	Interest	Total
2019	\$275,000	\$157,102	\$432,102
2020	290,000	146,000	436,000
2021	300,000	134,406	434,406
2022	310,000	122,420	432,420
2023	320,000	110,040	430,040
2024 -2028	1,810,000	346,232	2,156,232
2028 - 2030	830,000	32,815	862,815
Total	\$4,135,000	\$1,049,015	\$5,184,015

MAJOR REVENUE AND EXPENSE ANALYSIS

(UNAUDITED)

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
 MCNEESE STATE UNIVERSITY
 UNIVERSITY OF LOUISIANA SYSTEM
 STATE OF LOUISIANA

Major Revenue and Expense Analysis
 For the Year Ended June 30, 2018

Accounts Exceeding 10% Threshold and Variation Greater Than 10%	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Percent Variance	
Operating Revenues per Statement A					
Contributions	\$1,691,236	\$1,463,993	\$227,243	16%	1

Operating Expenses per Statement A

No variations met the 10% variance threshold in the NCAA guidelines, and no explanations are required.

	Fiscal Year 2018 - Actual	Fiscal Year 2018 - Budget	Increase/ (Decrease)	Percent Variance	
Budget					
Contributions	\$1,691,236	\$520,870	\$1,170,366	225%	2

NOTES:

1. Mens' Basketball had a new coaching staff come in, salaries were increased, and the Foundation covered the overages. In addition, the University received more donations from the Foundation to cover operating expenses that were over budget.
2. Contributions include \$836,167 as a result of foundation expenses included in the NCAA report that are not budgeted in University operating revenues. The other \$334,000 is due to foundation contributions for budget overages such as salary increases/supplemental, scholarships, travel overages, etc.