

DEMONS UNLIMITED FOUNDATION

**ANNUAL FINANCIAL REPORT
JUNE 30, 2020**

Demons Unlimited Foundation
Annual Financial Report
June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Demons Unlimited Foundation

Report on the Financial Statements

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020, 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.

Other Matters

Other Information

We have previously audited the Demons Unlimited Foundation's financial statements for the year ended June 30, 2019, and we expressed an unmodified opinion on those audited financial statements in our report dated August 30, 2019. In our opinion, the summarized information as of and for the year ended June 30, 2019, 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 September 2, 2020, 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 September 2, 2020, 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

September 2, 2020
Natchitoches, Louisiana

FINANCIAL STATEMENTS

Demons Unlimited Foundation
Statement of Financial Position
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Assets-		
Current Assets:		
Cash & Cash Equivalents	\$ 634,572	\$ 467,489
Investments	1,907,926	1,904,823
Contributions Receivable	70,375	26,414
Other Receivables	<u>425</u>	<u>30</u>
Total Assets	<u>\$2,613,298</u>	<u>\$2,398,756</u>
Liabilities and Net Assets-		
Current Liabilities:		
Accounts Payable and Accruals	\$ 150,125	\$ 173,476
Current Portion of Long-Term Debt	<u>216,269</u>	<u>227,449</u>
Total Current Liabilities	\$ 366,394	\$ 400,925
Long-Term Debt, Net of Current Portion	<u>549,222</u>	<u>744,607</u>
Total Liabilities	<u>\$ 915,616</u>	<u>\$1,145,532</u>
Net Assets-		
Without Donor Restrictions	\$ 186,179	\$ 40,966
With Donor Restrictions (Note 11)	<u>1,511,503</u>	<u>1,212,258</u>
Total Net Assets	<u>\$1,697,682</u>	<u>\$1,253,224</u>
Total Liabilities and Net Assets	<u>\$2,613,298</u>	<u>\$2,398,756</u>

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

Demons Unlimited Foundation
Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2020 <u>Total</u>	2019 <u>Total</u>
PUBLIC SUPPORT AND REVENUES:				
Contributions	\$ 336,618	\$ 530,873	\$ 867,491	\$ 787,746
Fundraising	444,712	755,310	1,200,022	1,302,962
Investment Return, net	49,621	1,797	51,418	103,042
Other	106,000	135,976	241,976	204,275
Net Assets Released from Restrictions for Satisfactions of Program Restrictions	<u>1,124,711</u>	<u>(1,124,711)</u>	<u>0</u>	<u>0</u>
 Total Public Support and Revenues	 <u>\$2,061,662</u>	 <u>\$ 299,245</u>	 <u>\$2,360,907</u>	 <u>\$2,398,025</u>
EXPENSES:				
Program Services-				
Facilities	\$ 108,476	\$ 0	\$ 108,476	\$ 648,126
Scholarships	283,413	0	283,413	179,204
Team Programs	1,190,993	0	1,190,993	1,385,522
Supporting Services-				
Fundraising	72,471	0	72,471	53,150
Management and General	<u>261,096</u>	<u>0</u>	<u>261,096</u>	<u>192,851</u>
 Total Expenses	 <u>\$1,916,449</u>	 <u>\$ 0</u>	 <u>\$1,916,449</u>	 <u>\$2,458,853</u>
 Change in Net Assets	 \$ 145,213	 \$ 299,245	 \$ 444,458	 \$ (60,828)
Net Assets, Beginning of Year	<u>40,966</u>	<u>1,212,258</u>	<u>1,253,224</u>	<u>1,314,052</u>
Net Assets, End of Year	<u>\$ 186,179</u>	<u>\$ 1,511,503</u>	<u>\$1,697,682</u>	<u>\$1,253,224</u>

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

Demons Unlimited Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services			Supporting Services			2020 Total
	Facilities	Scholar- ships	Team Programs	Total Program Services	Fund- raising	Management and General	
EXPENSES:							
Equipment Purchases for NSU	\$ 65,709	\$ 0	\$ 0	\$ 65,709	\$ 0	\$ 0	\$ 65,709
Marketing & promotions	0	0	188,252	188,252	29,089	66,361	283,702
Materials & supplies	2,978	0	331,137	334,115	246	30,904	365,265
Professional Services	0	0	16,795	16,795	1,755	11,500	30,050
Scholarships	0	283,413	0	283,413	0	0	283,413
Salaries & benefits transfers to NSU	0	0	294,888	294,888	0	20,365	315,253
Travel	0	0	113,519	113,519	185	12,628	126,332
Other Program Services	39,789	0	168,297	208,086	5,733	113,553	327,372
Fundraising	0	0	78,105	78,105	35,463	0	113,568
Administrative	0	0	0	0	0	5,785	5,785
Total Expenses	\$108,476	\$283,413	\$1,190,993	\$1,582,882	\$72,471	\$261,096	\$1,916,449

Comparative Totals for the Year Ended June 30, 2019

	Program Services			Supporting Services			2019 Total
	Facilities	Scholar- ships	Team Programs	Total Program Services	Fund- raising	Management and General	
EXPENSES:							
Equipment Purchases for NSU	\$581,905	\$ 0	\$ 17,844	\$ 599,749	\$ 0	\$ 0	\$ 599,749
Marketing & promotions	0	0	190,276	190,276	28,064	4,763	223,103
Materials & supplies	22,074	0	306,883	328,957	381	43,809	373,147
Professional Services	1,776	0	25,655	27,431	530	11,500	39,461
Scholarships	0	179,204	0	179,204	0	0	179,204
Salaries & benefits transfers to NSU	0	0	292,563	292,563	0	13,965	306,528
Travel	0	0	204,268	204,268	1,045	18,589	223,902
Other Program Services	42,259	0	201,037	243,296	4,444	94,396	342,136
Fundraising	0	0	145,956	145,956	18,686	0	164,642
Administrative	112	0	1,040	1,152	0	5,829	6,981
Total Expenses	\$648,126	\$179,204	\$1,385,522	\$2,212,852	\$53,150	\$192,851	\$2,458,853

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

Demons Unlimited Foundation
Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 444,458	\$ (60,828)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase)/Decrease in Contributions Receivable	(43,961)	(2,564)
(Increase)/Decrease in Other Current Assets	(395)	8,396
Increase/(Decrease) in Accounts Payable and Accruals	<u>(23,351)</u>	<u>(5,280)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 376,751</u>	<u>\$ (60,276)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	\$ (98,366)	\$(142,533)
Earnings withdrawn from Investments	<u>95,263</u>	<u>76,545</u>
Net Cash Used by Investing Activities	<u>\$ (3,103)</u>	<u>\$ (65,988)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	\$(206,565)	\$(154,109)
Advances from bank loans	<u>0</u>	<u>400,100</u>
Net Cash Provided (Used) by Financing Activities	<u>\$(206,565)</u>	<u>\$ 245,991</u>
Net Increase in Cash	\$ 167,083	\$ 119,727
Cash at Beginning of Year	<u>467,489</u>	<u>347,762</u>
Cash at End of Year	<u>\$ 634,572</u>	<u>\$ 467,489</u>

SUPPLEMENTAL DISCLOSURE

Cash payments for interest during the years ended June 30, 2020 and 2019 totaled \$44,150 and \$31,522, respectively.

NOTES TO FINANCIAL STATEMENTS

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2020

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, 2020

- 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 Statements of Activities and Changes in Net Assets.

- 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, expenditures 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. Support and Revenue - 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, 2020, there is no allowance.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2020

- G. 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.

- H. 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.
- I. 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 those assets owned by the Foundation, purchased property and equipment greater than \$1,000 is carried at cost; while donated property and equipment is recorded at the approximate fair value at the date of donation. For the year ended June 30, 2020, the Foundation owned no property, plant or equipment.
- J. 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.
- K. 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.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2020

2. Asset Liquidity (continued):

As of June 30, 2020, 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	\$ 634,572
Receivables	70,800
Investments	<u>1,907,926</u>
Total financial assets, period end	\$ 2,613,298
Less, those unavailable for general expenditures within one year, due to:	
Donor restrictions for endowments	<u>(1,907,926)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>705,372</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, 2020, the Foundation had cash and cash equivalents (book balances) as follows:

Interest bearing demand deposit accounts	\$547,209
Money market accounts	<u>87,363</u>
Total	<u>\$634,572</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.

As of June 30, 2020, the Foundation had \$609,081 (bank balances) in the demand deposit checking accounts, of which \$273,118 were insured by FDIC and \$335,963 were unsecured. The Foundation also maintained unsecured money market holdings as part of its managed investment accounts totaling \$87,363 at June 30, 2020.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2020

4. Receivables and Other Assets:

At June 30, 2020, the Foundation had other assets consisting of the following:

Contributions Receivable	\$70,375
Other Receivables	<u>425</u>
Total	<u>\$70,800</u>

The above amounts are considered receivable within one year.

5. Investments:

At June 30, 2020, the Foundation had investments summarized as follows:

	Cost	Unrealized Gains/(Losses)	Fair Value
Mutual Funds	\$ 767,351	\$ 1,210	\$ 768,561
Exchange-traded and Closed-end Funds	<u>1,149,788</u>	<u>(10,423)</u>	<u>1,139,365</u>
Total	<u>\$1,917,139</u>	<u>\$ (9,213)</u>	<u>\$1,907,926</u>

Total contributions to investments for the year ended June 30, 2020, were \$66,943 and are included in the Statement of Activities under public support and revenues (contributions).

Investment return included in the Statement of Activities was comprised of the following for the year ended June 30, 2020:

Interest earned on Investments	\$ 51,460
Investment fees	(15,812)
Unrealized gain on Investments	<u>15,770</u>
Total Investment Return, net	<u>\$ 51,418</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, 2020

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, 2020

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, 2020 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual Funds	\$ 768,561	\$0	\$0	\$ 768,561
Exchange-traded and Closed-end Funds	\$1,139,365	\$0	\$0	\$1,139,365

7. Accounts Payable and Other Accruals:

At June 30, 2020, the Foundation had accounts payable and other accrued liabilities as follows:

Accounts Payable to Vendors	\$135,077
Tickets due to NSU	617
Credit Card Payable	398
Interest Payable	<u>14,033</u>
Total	<u>\$150,125</u>

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2020

8. Long-Term Debt:

The following is a summary of debt transactions for the year ended June 30, 2020:

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.

Changes in long-term debt for the year ending June 30, 2020, are as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Amount Due</u> <u>in one Year</u>
Notes Payable -					
Bank of Montgomery	\$571,956	\$ 0	\$(133,413)	\$438,543	\$139,840
Exchange Bank-2019	<u>400,100</u>	<u>0</u>	<u>(73,152)</u>	<u>326,948</u>	<u>76,429</u>
Total	<u>\$972,056</u>	<u>\$ 0</u>	<u>\$(206,565)</u>	<u>\$765,491</u>	<u>\$216,269</u>

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

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
Notes Payable -				
Bank of Montgomery	4.50%	12/01/2022	\$703,802	\$438,543
Exchange Bank-2019	4.50%	04/30/2024	\$400,100	\$326,948

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2020

8. Long-Term Debt (continued):

The annual requirements to amortize all debt outstanding as of June 30, 2020, including interest payments, are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$216,269	\$34,447	\$250,716
2022	226,001	24,715	250,716
2023	236,033	14,683	250,716
2024	<u>87,188</u>	<u>3,953</u>	<u>91,141</u>
Total	<u>\$765,491</u>	<u>\$77,798</u>	<u>\$843,289</u>

Total interest expense incurred and accrued on long-term debt for the year ended June 30, 2020 was \$39,789 and is included on the Statement of Activities under Other Program Services expenses.

9. Compensation Paid to Board Members:

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

10. Net Assets with Donor Restrictions:

At June 30, 2020, net assets with donor restrictions are restricted to the following:

	<u>Scholarships and Awards</u>	<u>Endowments</u>	<u>Total</u>
Balance at June 30, 2019	\$ (723,966)	\$ 1,936,224	\$ 1,212,258
Contributions	453,880	76,993	530,873
Fundraising	755,310	-	755,310
Investment Income	-	1,797	1,797
Other income/(expense)	135,976	-	135,976
Released from restriction	(1,124,711)	-	(1,124,711)
Balance at June 30, 2020	<u>\$ (503,511)</u>	<u>\$ 2,015,014</u>	<u>\$ 1,511,503</u>

At June 30, 2020, the portion of donor-restricted net assets consisting of endowments primarily established to support University athletic scholarships totaled \$2,015,014.

During prior years, the Foundation borrowed funds for improvements to the University's baseball facilities. These facilities are owned by the University. The transfer of these funds to the University created a deficit in the portion of donor-restricted net assets not restricted for endowments. Management anticipates the deficit will be offset in future years as related contributions are received.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2020

10. Net Assets with Donor Restrictions (continued):

During the year ended June 30, 2020, net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restrictions specified by donors as follows:

Equipment purchases	\$ 65,709
Marketing and promotions	105,947
Materials and supplies	327,110
Professional services	5,285
Scholarships	132,051
Transfers to NSU	34,966
Travel	102,112
Other program services expenses	273,257
Fundraising	78,274
Management and general	<u>0</u>
Total Restrictions Released	<u>\$1,124,711</u>

11. 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. Deficiencies exist in the donor-restricted endowment funds, which all combined have an original gift value of \$2,046,362, a current value of \$1,995,289, and a deficiency of \$51,073 as of June 30, 2020. These deficiencies usually result from unfavorable market fluctuations that occur over the life of the endowment. The Foundation withdrew \$95,263 from earnings in December, 2019, which constituted 4.8% of the total investment account at the time of withdrawal.

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.

12. Donated Services:

Under SFAS No. 116, contributions of services are to be recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2020, the Foundation received the donated services in the amount of \$83,581 from Natchitoches Regional Medical Center which satisfied the criteria for recognition. This amount is recognized as revenue in the contributions portion of the Statement of Activities, and as expenses in the Other Program Services portion of the Statement of Activities.

13. Lease Commitments:

At June 30, 2020, the Foundation was not obligated under any capital or operating lease commitments.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2020

14. 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.

15. Litigation:

There was no outstanding litigation against the Foundation at June 30, 2020.

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 will be valid until such a time as one of the parties terminates the agreement with 90 days written notice.

17. Related Party Transactions:

During the year ended June 30, 2020, the University provided certain personnel services to the Foundation. The estimated value of these transactions for the year ended June 30, 2020 was \$65,764. In return, the Foundation 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, 2019, from which the summarized information was derived.

19. Recently Adopted Accounting Standards:

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Foundation adopted this standard effective July 1, 2019 using the modified retrospective approach. The adoption did not have a significant impact on the Foundation's financial statements and no adjustment was necessary to the beginning balance of net asset.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2020

19. Recently Adopted Accounting Standards (continued):

In January, 2016, FASB issued Accounting standards Update (ASU) No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, as amended by ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments – Overall*. These ASU's changed how certain equity investments are measured with changes in fair value recognized in change in net assets, simplified the impairment assessment process for equity investments without readily determinable fair values, eliminated certain fair value disclosure requirements for financial instruments, and changed presentation requirements for certain financial instruments as well as other situational requirements involving recognition. The Foundation adopted these provisions effective July 1, 2019. Changes resulting from this adoption only affected certain disclosures related to the fair value of financial instruments. Net assets as previously reported were not affected by the adoption of this ASU.

In August, 2016, FASB issued Accounting standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* which adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. FASB also issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that a statement of cash flows explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash of restricted cash equivalents. The Foundation has elected the nature of the distribution approach and adopted these provisions effective July 1, 2019 on a retrospective basis. The adoption of these ASU's did not have a material impact on the Foundation's cash flows.

In June 2018, FASB issued Accounting standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this new standard did not have a material impact on the measurement or recognition of revenue.

20. Accounting Pronouncements Issued but Not Yet in Effect:

In February 2016, FASB issued ASU No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations from the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of net assets. This standard is effective for annual periods beginning after December 15, 2021. The Foundation is currently assessing the impact of this pronouncement on its financial statements.

Demons Unlimited Foundation
Notes to Financial Statements
June 30, 2020

21. Subsequent Events:

Management has evaluated subsequent events through September 2, 2020, the date which the financial statements were available to be issued, and determined that the following matter required additional disclosure in the financial statements.

Due to the ongoing restrictions and guidelines related to the COVID-19 (coronavirus) pandemic which began in early 2020, Northwestern State University's fall sports schedules have been postponed to the spring semester of 2021, in accordance with the Southland Conference rulings. The Foundation has also cancelled many of its fundraising events scheduled for the upcoming year due to the continued restrictions related to the pandemic. These events will most likely have a negative impact on the operations of the Demons Unlimited Foundation. The extent to which the COVID-19 pandemic may directly or indirectly impact the Foundation's financial conditions or results of operations cannot be reasonably estimated at this time.

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

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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, 2020, 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 September 2, 2020.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, CPA's

Thomas, Cunningham, Broadway & Todtenbier
Certified Public Accountants

September 2, 2020
Natchitoches, Louisiana

Demons Unlimited Foundation
Schedule of Audit Results
For the Year Ended June 30, 2020

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, 2020.
2. No material weaknesses relating to the audit of the financial statements were identified.
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, 2020.

B. Financial Statement Findings

No matters were reported.

C. Prior Year Findings

No matters were reported.

AGREED UPON PROCEDURES

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

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**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, which were agreed to by the chief executive of the Demons Unlimited Foundation, solely to assist you in evaluating whether the accompanying Statement of Revenue and Expenses (Statement) of the Demons Unlimited Foundation (Foundation) is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2020. Foundation's management is responsible for the Statement and its compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestations contained in *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of management of the Foundation. 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.

The procedures that we performed and our 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, 2020. 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, 2020, to ascertain any corrective action in response to comments concerning the Foundation's internal control structure, if any.

No internal control matters were identified which required corrective action.

Agreed-Upon Procedures for Revenues and Expenses

Revenues

1. Contribution revenue for the year ended June 30, 2020 was compared to prior period amounts. The total amount of \$1,092,501 was agreed to the supporting schedule provided by the Foundation. A sample of 48 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 7% (or \$70,171) increase in contributions compared to the prior year. All items sampled were vouched to supporting deposits and donor receipts, with no exceptions noted. Although revenue in this category showed a slight increase, we noted a decrease in fundraising revenue, which is attributable to cancellation of events due to the COVID-19 restrictions during the months of April, May and June of 2020. We identified no organization, agency, or individual that contributed 10 percent or more of all contributions received during the year ended June 30, 2020.

2. In-Kind contributions for the year ended June 30, 2020, were compared to the prior period amounts. The total amount of \$50,261 was agreed to the supporting schedule provided by the Foundation. A sample of five 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 a decrease of \$13,900 (or 22%) 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, with no exceptions noted.

3. The Foundation's participation in revenues from NCAA/Conference distributions during the year ended June 30, 2020 were compared to the prior period amounts. The related revenues of \$135,000 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 found no exceptions as a result of these procedures.

4. Revenue from Program Sales, Concessions, Novelty Sales and Parking was compared to the prior year amounts. The total amount of \$9,570 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 \$17,550 (65%) decrease 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, 2020, were compared to the prior period amounts. The total amount of \$928,120 was agreed to the supporting schedule provided by the Foundation. A sample of 15 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 2% (or \$17,864) decrease from the prior year. 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 \$24,459 for the year ended June 30, 2020 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 \$48,928 (67%) decrease in sports camp revenues compared to the previous year, due to cancellation of day camps and summer camps during the COVID-19 pandemic. 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, 2020, was compared to the prior period amounts. The total gain of \$67,230 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 \$15,770 unrealized gain on investments and interest income of \$51,460 for the year ended June 30, 2020. 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, 2020 were compared to the prior year and agreed to supporting schedules provided by the Foundation. Related revenues of \$69,578 were compared to the general ledger amounts.

We found no exceptions as a result of these procedures.

Expenses

1. Athletics Student Aid expenses for the year ended June 30, 2020 were compared to the prior year and agreed to supporting schedules provided by the Foundation. The individual student-account details of six students from the listing of student aid recipients for the year ended June 30, 2020 were compared and agreed to the amounts related in the aid award letters. A sample of four items were selected from the schedule and vouched to supporting documentation. Totals were compared and agreed to the general ledger.

We noted a 58% (or \$104,209) increase in Athletics Student Aid expenses compared to the prior year. All six student detail samples were agreed to the aid award letters with no exceptions noted. The four items selected for sampling were vouched to supporting checks and invoices, noting no exceptions. Total expenses of \$283,413 were agreed to the supporting schedules and general ledger with no exceptions noted.

2. Guarantee expenses for the year ended June 30, 2020 were compared and agreed to the supporting schedule provided by the Foundation and to the general ledger. One item was selected for sampling and vouched to supporting documentation.

Total guarantee expenses of \$20,626 was agreed to the supporting schedule and general ledger with no exceptions noted. The sample was vouched to the supporting invoice and check, noting no exceptions.

3. A schedule of salaries, benefits and bonuses paid to coaches for the year ended June 30, 2020 was provided by the Foundation. Coaches' contracts from football, men's basketball, and women's basketball were selected, compared and agreed to the supporting schedule. 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. Coaching salaries, benefits and bonuses of \$294,888 for the year ended June 30, 2020 were compared and agreed to the general ledger.

We noted a 0.79% (or \$2,325) increase 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, 2020 was provided by the Foundation. The total was compared and agreed to the supporting schedule and the general ledger. One item was randomly selected and vouched to supporting documentation.

We noted a 25% (or \$4,740) decrease in support staff expenses compared to the prior year. The item sampled was vouched to supporting documentation provided by Demons Unlimited. Total category expenses of \$23,965 was compared and agreed to the supporting schedule and general ledger with no exceptions identified.

5. Recruiting expenses for the year ended June 30, 2020 were compared to the prior year, recalculated, and agreed to the supporting schedule provided by the Foundation. Seven items were selected for sampling and vouched to supporting documentation. The Foundation's recruiting expense policies were reviewed, compared and agreed to existing Northwestern State University and NCAA-related policies.

We noted a 36% (or \$43,305) decrease in recruiting expenses compared to the prior year. All items selected for sampling were vouched to supporting invoices and approval forms, with no exceptions noted. Total recruiting expenses of \$78,229 were compared and agreed to the supporting schedule and general ledger with no exceptions noted. We found no exceptions as a result of the comparison to NSU and NCAA recruiting policies.

6. Team travel expenses for the year ended June 30, 2020 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. Eight items were selected for sampling and vouched to supporting documentation. The Foundation's team travel policies were reviewed, compared and agreed to existing Northwestern State University and NCAA-related policies.

We noted a \$38,614 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 \$22,986 were compared and agreed to the supporting schedule and general ledger with no exceptions noted. We found no exceptions as a result of the comparison to NSU and NCAA-related travel policies.

7. Equipment, uniform and supplies expenses for the year ended June 30, 2020 was compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of 19 operating expenses from the supporting schedule were vouched to supporting documentation. Total related expenses were compared and agreed to the general ledger.

We noted a \$33,128 (or 12%) decrease in equipment, uniform and supplies expenses compared to the prior year. All items selected for sampling were vouched to supporting invoices and approval forms, as well as gift-in-kind contracts, noting no exceptions. Total category expenses of \$235,619 were compared and agreed to the supporting schedule and general ledger, with no exceptions noted.

8. Game expenses of \$18,469 for the year ended June 30, 2020 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of five expenses from the supporting schedule was vouched to supporting documentation. Total game expenses were compared and agreed to the general ledger.

We noted a \$10,678 decrease in game expenses compared to the prior year. The samples selected for testing were vouched to supporting invoice and approval form, noting no exceptions. Total game expenses of \$18,469 were compared and agreed to the supporting schedule and general ledger with no exceptions noted.

9. Fund raising, marketing and promotion expenses of \$408,401 for the year ended June 30, 2020 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of 57 items was selected from the supporting schedule and were vouched to supporting documentation. The total was compared and agreed to the general ledger.

We noted a 10% increase in fundraising, marketing and promotion expenses compared to the prior year. All items selected for sampling were vouched to supporting invoices and/or contracts, with no exceptions noted. Total expenses were compared and agreed to the supporting schedule and general ledger, with no exceptions noted.

10. Sports camp expense of \$19,797 for the year ended June 30, 2020 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 62% 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 \$246,354 for the year ended June 30, 2020 were compared to the prior year and agreed to the supporting scheduled provided by the Foundation. One item was 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 \$206,565. Total expenses were compared and agreed to the supporting schedule and general ledger with no exceptions noted.

12. Direct overhead and administrative expenses of \$99,056 for the year ended June 30, 2020 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of 8 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 \$13,245 (15%) increase 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 schedules and general ledger, with no exceptions noted.

13. Medical expenses and medical insurance expense of \$103,977 for the year ended June 30, 2020 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of 6 items were 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 \$26,467 (13%) decrease in medical and medical insurance expenses compared to the prior year. All items selected for sampling were vouched to supporting invoices and trade contracts, 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 \$5,232 for the year ended June 30, 2020 were compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of 7 items 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 \$958 decrease in memberships and dues expenses compared to the prior year. All items selected for sampling were vouched to supporting invoices with no exceptions noted. Total expenses in this category were compared and agreed to the supporting schedule and general ledger, noting no exceptions.

15. Expenses for Student Athlete Meals in the amount of \$22,205 for the year ended June 30, 2020 were agreed to the supporting schedule provided by the Foundation. A sample of two 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 \$6,694 decrease in student athlete meals compared to the prior year. The selected items were vouched to supporting invoice 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 \$189,900 for the year ended June 30, 2020 was compared to the prior year and agreed to the supporting schedule provided by the Foundation. A sample of 30 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 6% (\$11,607) decrease in other operating expenses when 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 schedules and general ledger, with no exceptions noted.

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, 2020.

As a result of these procedures, we noted three meetings of the Foundation's board during the year ended June 30, 2020.

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

Increased contributions for corporate sponsorships and scholarship expenses were traced to the general ledger.

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 business manager and 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.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying statement of revenue and expenses of Demons Unlimited Foundation. 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 specified parties listed above, and is not intended to be and should not be used by anyone other than these specified parties.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier
Certified Public Accountants

September 2, 2020
Natchitoches, Louisiana

DEMONS UNLIMITED FOUNDATION
NCAA STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	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	124,507	57,218	30,345	368,051	512,380	1,092,501
In-Kind Contributions	13,526	8,600	0	10,118	18,017	50,261
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	135,000	135,000
Conference Distributions	0	0	0	0	0	0
Program Sales, Concessions, Novelty Sales and Parking	933	0	0	8,637	0	9,570
Royalties, Advertisements and Sponsorships	17,675	13,936	6,120	38,000	852,389	928,120
Sports Camp Revenues	0	18,799	0	5,660	0	24,459
Endowment and Investment Income	0	0	0	0	67,230	67,230
Other Operating Revenue	0	760	0	0	68,818	69,578
Total Operating Revenues	\$ 156,641	\$ 99,313	\$ 36,465	\$ 430,466	\$1,653,834	\$2,376,719
EXPENSES:						
<u>Operating Expenses</u>						
Athletics Student Aid	\$ 94,771	\$ 30,688	\$ 24,775	\$ 133,179	\$ 0	\$ 283,413
Guarantees	0	0	1,572	19,054	0	20,626
Coaching Salaries, Benefits and Bonuses paid by the University and Related Entities	50,994	53,992	67,001	122,901	0	294,888
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	3,600	0	0	0	20,365	23,965
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	22,642	11,921	2,481	38,634	2,551	78,229
Team Travel	6,921	1,852	95	14,118	0	22,986
Equipment, Uniform and Supplies	36,379	11,619	5,606	162,978	19,037	235,619
Game Expenses	10,754	1,100	680	5,935	0	18,469
Fund Raising, Marketing and Promotion	110,353	28,874	12,532	42,123	214,519	408,401

(Continued on next page)

DEMONS UNLIMITED FOUNDATION
NCAA STATEMENT OF REVENUES AND EXPENSES (continued)
FOR THE YEAR ENDED JUNE 30, 2020

	Football	Men's Basketball	Women's Basketball	Other Sports	Non- program Specific	Total
Sports Camp Expenses	\$ 0	\$ 19,337	\$ 0	\$ 460	\$ 0	\$ 19,797
Spirit Groups	0	0	0	0	0	0
Athletic Facilities, Debt Service, Leases & Rental Fees	155,784	0	0	90,570	0	246,354
Direct Overhead & Admin Expenses	6,243	951	674	64,020	27,168	99,056
Indirect Institutional Support	0	0	0	0	0	0
Medical Expenses and Medical Insurance	16,368	60	20	1,776	85,753	103,977
Memberships and Dues	275	920	875	1,475	1,687	5,232
Student Athlete Meals	5,074	4,778	999	5,791	5,563	22,205
Other Operating Expenses	5,501	14,227	10,596	13,654	145,922	189,900
Total Operating Expenses	\$ 525,659	\$180,319	\$127,906	\$ 716,668	\$ 522,565	\$2,073,117
EXCESS(DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>\$(369,018)</u>	<u>\$(81,006)</u>	<u>\$(91,441)</u>	<u>\$(286,202)</u>	<u>\$1,131,269</u>	<u>\$ 303,602</u>

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

Excess of Revenues over Expenses as stated in NCAA Statement	\$303,602
Less: Capital Outlay Expenditures shown in Statement of Activities, but not reported in NCAA Statement of Revenues & Expenses	(65,709)
Add: Principal payment on loans not shown in Statement of Activities but reported in NCAA Statement of Revenues & Expenses	<u>206,565</u>
Change in Net Assets for period ending June 30, 2020	<u>\$444,458</u>

DEMONS UNLIMITED FOUNDATION
NOTES TO NCAA STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020.

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 in the amount of \$65,709 for facility improvements made during the year ended June 30, 2020 are not included as operating expenses in the Statement of Revenues and Expenses.

4. Long-Term Liabilities:

The following is a summary of debt transactions for the year ended June 30, 2020:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Amount Due</u> <u>in one Year</u>
Notes Payable -					
Bank of Montgomery	\$571,956	\$ 0	\$(133,413)	\$438,543	\$139,940
Exchange Bank-2019	<u>400,100</u>	<u>0</u>	<u>(73,152)</u>	<u>326,948</u>	<u>76,429</u>
Total	<u>\$972,056</u>	<u>\$ 0</u>	<u>\$(206,565)</u>	<u>\$765,491</u>	<u>\$216,269</u>

The annual requirements to amortize all debt outstanding as of June 30, 2020, including interest payments, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$216,269	\$34,447	\$250,716
2022	226,001	24,715	250,716
2023	236,033	14,683	250,716
2024	<u>87,188</u>	<u>3,953</u>	<u>91,141</u>
Total	<u>\$765,491</u>	<u>\$77,798</u>	<u>\$843,289</u>