

ATHLETIC DEPARTMENT NORTHWESTERN STATE UNIVERSITY

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Agreed-Upon Procedures Report
Issued January 29, 2025**

**LOUISIANA LEGISLATIVE AUDITOR
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January 15, 2025

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

**MR. JAMES T. GENOVESE, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**
Natchitoches, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as President of the Northwestern State University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the University's athletic department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 20.2.4.17, in evaluating the University's compliance with other specified NCAA legislation, and in evaluating the effectiveness of the University's internal control over compliance for the year ended June 30, 2024. University management is responsible for the accuracy of the Statement (unaudited) and the related notes (unaudited), compliance with NCAA requirements and legislation, and internal control over financial reporting and compliance. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the University. Management of the University has acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Procedures were not performed on specific reporting categories that were less than 4% of the total revenues or expenses, excluding amounts applicable to the Demons Unlimited Foundation.

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



MINIMUM COMPLIANCE AGREED-UPON PROCEDURES**INTERNAL CONTROL**

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

We found no exceptions as a result of these procedures.

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

We found no exceptions as a result of these procedures.

STATEMENT OF REVENUES AND EXPENSES**GENERAL PROCEDURES**

1. We obtained written representations from management as to the accuracy of the Statement, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and legislations, completeness of the list of all known affiliated and outside organizations, and other information as we considered necessary for the fiscal year ended June 30, 2024.

2. We verified the mathematical accuracy of the amounts on the Statement and compared and agreed the amounts to supporting schedules provided by the University and/or the University's general ledger.

As a result of these procedures, we noted that athletic student aid was overstated by \$2,345,599 (football \$747,356, men's basketball \$255,528, women's basketball \$216,059, other sports \$946,565, and non-program specific \$180,091); recruiting expenses were understated by \$224,374 (football \$66,170, men's basketball \$102,664, women's basketball \$24,756, other sports \$7,680, and non-program specific \$23,104); non-program specific other operating revenue was understated by \$30,000; and non-program specific other operating expenses was overstated by \$2,237. Statement A was corrected for these errors.

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

We found no exceptions as a result of these procedures.

4. We compared each major revenue and expense account over 10% of total revenues or expenses for June 30, 2024, to June 30, 2023, amounts and budget estimates, to identify variations greater than 10%.

We reported the analysis in Appendix A to this report.

MINIMUM AGREED-UPON PROCEDURES FOR REVENUES

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

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

Management represented that they do not allocate student fees based on generated revenue; therefore, we did not tie the student fee revenue to attendance supporting documentation such as seat manifests and ticket sales reports.

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

The University incorrectly included \$30,000 of funds received from a mineral lease as direct institutional support. These funds should have been reported as other operating revenue. Also, the University used incorrect waiver amounts resulting in an understatement in direct institutional support of \$3,540. The net impact of these errors resulted in an overstatement totaling \$26,460 (football \$6,900, men's basketball \$2,700, women's basketball \$1,920, other sports \$5,940, and non-program specific \$9,000). Statement A was corrected.

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

We found no exceptions as a result of these procedures.

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

We found no exceptions as a result of these procedures.

5. We compared the NCAA distribution amounts recorded in the revenue and expense categories 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.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected a sample of 10% of student athletes from the listing of University student aid recipients and performed the following:
 - (a) We obtained individual student account detail for each selection and compared the total athletic aid in the University's student system to the student detail in the NCAA's Compliance Assistant (CA) software.
 - (b) We performed a check of each student selected to ensure his/her information was reported accurately in the NCAA's Membership Financial Reporting System using the criteria found in 2024 NCAA Agreed-Upon Procedures Appendix D, step 20.c.

(c) We recalculated the totals for each sport and overall for all sports.

We found no exceptions as a result of these procedures.

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

(a) We compared and agreed the financial terms and conditions of each selection to the related salaries, benefits, and bonuses recorded by the University and related entities in the Statement during the reporting period.

(b) We obtained and inspected payroll summary registers for the reporting year for each selection.

(c) We compared and agreed payroll summary registers for each selection to the related salaries, benefits, and bonuses paid by the University and related entities' expense recorded by the University in the Statement during the reporting period.

(d) We compared and agreed the totals recorded to any employment contracts executed for the sample selected.

(e) We recalculated the totals.

We found no exceptions as a result of these procedures.

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

As a result of these procedures, we noted an overstatement of \$224,374 due to recruiting expenses being misclassified as travel expenses and an understatement of \$2,237 due to team travel expenses from the Demons Unlimited Foundation being misclassified as other operating expenses. These errors resulted in a net error totaling \$222,137 (football \$66,170, men's basketball \$102,664, women's basketball \$24,756, other sports \$7,680, and non-program specific \$20,867). Statement A was corrected.

4. We obtained the general ledger detail for game expenses and compared to the total expenses reported. We selected a sample of five transactions

to validate the existence of the transactions and the accuracy of their recorded. We recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS

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

As a result of these procedures, we noted that all athletics-related debt is held by the Demons Unlimited Foundation. The University did not include the amount of debt held by Demons Unlimited Foundation, resulting in an understatement of athletics-related debt and institutional debt of \$100,000. The University corrected the report. We found no other exceptions as a result of these procedures.

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

As a result of these procedures, we noted that all athletics-dedicated endowments are held by the Demons Unlimited Foundation and all other endowments are held by the University. Institutional endowments were understated by \$2,353,364. The University corrected the report. We found no other exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

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

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

2. We were to obtain from University management the repayment schedules for all outstanding intercollegiate athletics debt maintained by the University during the reporting period. If such debt exists, we were to recalculate the annual maturities, agree annual maturities to supporting documentation and to the University's general ledger, and ensure the repayment schedule is properly disclosed within the notes to the Statement.

We were informed by management that the University did not maintain any debt related to intercollegiate athletics during the reporting period. An affiliated organization, the Demons Unlimited Foundation, executed

a \$100,000 promissory note to secure funds for foundation expenses and improvements to the University's softball facility.

We recalculated the annual maturities of the note payable as presented in the Demons Unlimited Foundation audit report (see Note 2 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 Demons Unlimited Foundation is the only outside organization created for or on behalf of the athletic department.

We found no exceptions as a result of these procedures.

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

The Demons Unlimited Foundation's statements were audited by an independent certified public accountant for the year ended June 30, 2024. The audit report dated October 29, 2024, included no significant deficiencies on the outside organization's internal control.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

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

We found no discrepancies as a result of these procedures.

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

There were no variances exceeding the +/- 4% threshold.

- (c) We obtained the University's Sports Sponsorship and Demographics Form submitted to NCAA Research for the reporting year. We validated that the countable NCAA sports reported by the University met the minimum requirements, set forth in Bylaw 20.10.6.3, related to the number of contests and the number of participants. Once the countable sports were validated, 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.

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

We did not identify any variances from the prior year.

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

We found no exceptions as a result of these procedures.

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

The variance between current-year and prior-year Pell Grants did not exceed +/- 20 grants.

An agreed-upon procedures engagement involves the practitioner performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance of the accompanying Statement and related notes of the University's Athletic Department or on its compliance with NCAA Bylaw 20.2.4.17 or on the effectiveness of the University Athletic Department's internal control over financial reporting or compliance for the year ended June 30, 2024. Accordingly, we do not express such an opinion or

conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

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NSUNCAA2024

UNAUDITED

Statement A

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

**Statement of Revenues and Expenses
For the Year Ended June 30, 2024**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	\$95,225	\$16,564	\$15,859	\$51,055		\$178,703
Student fees	454,165	74,453	119,125	588,181	\$253,141	1,489,065
Direct institutional support	1,265,465	529,891	543,789	1,840,387	1,298,824	5,478,356
Indirect institutional support					988,707	988,707
Guarantees	675,000	370,000	90,000	52,005		1,187,005
Contributions	128,766	14,040	42,137	371,196	574,553	1,130,692
In-kind					138,137	138,137
NCAA distributions					772,092	772,092
Program, novelty, parking, and concession sales	5,998					5,998
Royalties, licensing, advertisement, and sponsorships					380,102	380,102
Sports camp revenues			18,828	4,445	300	23,573
Athletics restricted endowment and investments income					340,790	340,790
Other operating revenue					369,548	369,548
Total operating revenues	<u>2,624,619</u>	<u>1,004,948</u>	<u>829,738</u>	<u>2,907,269</u>	<u>5,116,194</u>	<u>12,482,768</u>
EXPENSES						
Operating expenses:						
Athletic student aid	1,891,572	498,428	505,820	2,561,892	17,740	5,475,452
Guarantees		3,500	5,000	6,379		14,879
Coaching salaries, benefits and bonuses paid by the University and related entities	972,672	498,547	344,194	981,037	293,894	3,090,344
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities					1,606,495	1,606,495
Recruiting	83,823	108,492	27,839	63,558	73,111	356,823
Team travel	46,601	23,399	101,631	340,350	194,938	706,919
Sports equipment, uniforms, and supplies	277,715	58,678	44,881	256,281	77,611	715,166
Game expenses	38,617	68,777	55,456	224,922	310,844	698,616
Fundraising, marketing, and promotion	13,719		5,604	34,348	140,680	194,351
Sports camp expenses			11,525	280		11,805
Athletic facilities debt service, leases, and rental fees				14,148	5,376	19,524
Direct overhead and administrative expenses	1,215	420		153,331	291,021	445,987
Indirect institutional support					988,707	988,707
Medical expenses and insurance	4,819			478	178,592	183,889
Memberships and dues	175	750		3,281	59,425	63,631
Student-athlete meals (non-travel)	7,972	8,164	3,113	27,260	48,327	94,836
Other operating expenses	41,629	28,797	23,127	50,219	337,528	481,300
Total operating expenses	<u>3,380,529</u>	<u>1,297,952</u>	<u>1,128,190</u>	<u>4,717,764</u>	<u>4,624,289</u>	<u>15,148,724</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>(\$755,910)</u>	<u>(\$293,004)</u>	<u>(\$298,452)</u>	<u>(\$1,810,495)</u>	<u>\$491,905</u>	<u>(\$2,665,956)</u>

NOTES TO THE FINANCIAL STATEMENT

(Unaudited)

1. CAPITAL ASSETS

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

Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property, 3 years for software with an acquisition cost of \$1,000,000 or more, and 3 to 10 years for internally-generated software with development costs of \$1,000,000 or more. All departments within the University follow standardized policies and procedures prescribed by state laws and regulations for acquiring, approving, depreciating, and disposing of capital assets.

2. LONG-TERM DEBT

The University did not maintain any debt related to intercollegiate athletics during the reporting period. An affiliated organization, the Demons Unlimited Foundation, executed a Promissory Note with Exchange Bank and Trust Company on April 11, 2024, to secure funds for foundation expenses and improvements to the University's softball facility. The original amount of the note was \$100,000, with an interest rate of 7%. The loan is to be repaid in four annual installments of \$24,390 beginning April 11, 2025, and a final payment of \$22,786 due on April 11, 2029.

The following is an amortization schedule for the outstanding note payable as of June 30, 2024:

Fiscal Year Ending	Principal	Interest	Total
2025	\$17,391	\$6,999	\$24,390
2026	18,921	5,469	24,390
2027	20,316	4,074	24,390
2028	21,739	2,651	24,390
2029	21,633	1,153	22,786
Total	<u>\$100,000</u>	<u>\$20,346</u>	<u>\$120,346</u>

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
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Major Revenue and Expense Analysis
For the Year Ended June 30, 2024**

Accounts Exceeding 10% Threshold and Variation Greater Than 10%	Fiscal Year 2024	Fiscal Year 2023	Increase/ (Decrease)	Percent Variance	
Operating Revenues per Statement A					
No variations met the 10% variance threshold in the NCAA guidelines, and no explanations are required.					
Operating Expenses per Statement A					
Coaching salaries, benefits, and bonuses paid by the University and related entities	\$3,090,344	\$2,702,581	\$387,763	14%	1
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	\$1,606,495	\$1,272,209	\$334,286	26%	2
Budget					
Athletic student aid	\$5,475,452	\$7,821,051	(\$2,345,599)	(43%)	3

NOTES:

1. This increase was due to higher salaries for the new head football coach and staff. Additionally, there were bonuses paid out in fiscal year 2024 as a result of teams qualifying for postseason events and championships during the 2023-2024 season.
2. This increase was due to salary increases for administrative staff in order to retain employees. Also, all of the previously vacant athletic training positions were filled during fiscal year 2024.
3. The amount budgeted for athletic student aid included an error of \$2,345,599. The actual amount was corrected on the Statement.