

ATHLETIC DEPARTMENT NORTHWESTERN STATE UNIVERSITY

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

FINANCIAL AUDIT SERVICES

**Agreed-Upon Procedures Report
Issued February 7, 2024**

**LOUISIANA LEGISLATIVE AUDITOR
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January 26, 2024

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

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

We have performed the procedures enumerated below, which were agreed to by you, as President of the Northwestern State University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the University's athletic department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 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, 2023. 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.

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



MINIMUM COMPLIANCE AGREED-UPON PROCEDURES

INTERNAL CONTROL

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

We found no exceptions as a result of these procedures.

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

We found no exceptions as a result of these procedures.

STATEMENT OF REVENUES AND EXPENSES

GENERAL PROCEDURES

1. We obtained written representations from management as to the accuracy of the Statement, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and legislation, completeness of the list of all known affiliated and outside organizations, and other information as we considered necessary for the fiscal year ended June 30, 2023.

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 the procedures, we noted that non-program specific other operating revenue was understated by \$196,547; athletic student aid was overstated by \$2,417,630 (football \$887,861, men's basketball \$232,867, women's basketball \$212,444, other sports \$919,959, and non-program specific \$164,499); other sports coaching salaries, benefits, and bonuses paid by the University and related entities was understated by \$30; and non-program specific other operating expenses was understated by \$217,734. 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, 2023, to June 30, 2022, 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.

As a result of these procedures, we noted an understatement totaling \$272,235. The University used incorrect waiver amounts, resulting in a \$240 understatement of men's basketball, \$42,817 understatement of women's basketball, and \$229,178 understatement of other sports. 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 reporting during the reporting period to the general ledger detail for NCAA distributions and other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

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

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected a sample of 10% of student athletes from the listing of University student aid recipients and performed the following:
 - (a) We obtained individual student account detail for each selection, and compared total aid in the University's student system to the student detail in the NCAA Compliance Assistant (CA) software.

(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 2023 NCAA Agreed-Upon Procedures.

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

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

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

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

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

(e) We recalculated the totals.

We found no exceptions as a result of these procedures.

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

We found no exceptions as a result of these procedures.

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 recording. We recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS

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

We found no exceptions as a result of these procedures.

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 (DUF) and all other endowments are held by the University. Institutional endowments were understated by \$2,210,812.

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).

MINIMUM AGREED-UPON PROCEDURES FOR AFFILIATED AND OUTSIDE ORGANIZATIONS

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

We found no exceptions as a result of these procedures.

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

The DUF's statements were audited by an independent certified public accountant for the year ended June 30, 2023. The audit report dated November 8, 2023, 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 Report (CRDE) 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%.

We noted that the variance did not meet 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 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 from 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 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.

We noted no variance that met the +/- 20 grants threshold.

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, 2023. 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

CC:LMN:RR:BQD:aa

NSUNCAA2023

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, 2023**

| | FOOTBALL | MEN'S BASKETBALL | WOMEN'S BASKETBALL | OTHER SPORTS | NON- PROGRAM SPECIFIC | TOTAL |
|--|--------------------|---------------------|-----------------------|----------------------|-----------------------------|----------------------|
| REVENUES | | | | | | |
| Operating revenues: | | | | | | |
| Ticket sales | \$133,951 | \$28,334 | \$24,299 | \$35,715 | \$3,486 | \$225,785 |
| Student fees | 481,940 | 79,007 | 126,411 | 624,153 | 268,622 | 1,580,133 |
| Direct institutional support | 1,359,958 | 529,818 | 527,338 | 1,909,932 | 1,351,719 | 5,678,765 |
| Indirect institutional support | | | | | 937,823 | 937,823 |
| Guarantees | 750,000 | 400,000 | 87,500 | 29,000 | | 1,266,500 |
| Contributions | 128,201 | 41,833 | 41,198 | 708,239 | 447,152 | 1,366,623 |
| In-kind | 35,000 | | | | | 35,000 |
| NCAA distributions | | | | 1,500 | 881,872 | 883,372 |
| Program, novelty, parking, and concession sales | 11,523 | | | 790 | | 12,313 |
| Royalties, licensing, advertisement, and sponsorships | 36,190 | 4,800 | 4,800 | 64,600 | 628,681 | 739,071 |
| Sports camp revenues | | | 21,101 | 7,207 | 800 | 29,108 |
| Athletics restricted endowment and investments income | | | | | 203,487 | 203,487 |
| Other operating revenue | 1,260 | 180,000 | | | 515,978 | 697,238 |
| Total operating revenues | <u>2,938,023</u> | <u>1,263,792</u> | <u>832,647</u> | <u>3,381,136</u> | <u>5,239,620</u> | <u>13,655,218</u> |
| EXPENSES | | | | | | |
| Operating expenses: | | | | | | |
| Athletic student aid | 1,950,319 | 457,238 | 471,484 | 2,604,211 | 28,924 | 5,512,176 |
| Guarantees | | 4,000 | 4,226 | 306 | | 8,532 |
| Coaching salaries, benefits, and bonuses paid by the University and related entities | 765,621 | 546,384 | 401,179 | 989,397 | | 2,702,581 |
| Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities | | | | 275 | 1,271,934 | 1,272,209 |
| Recruiting | 57,682 | 9,951 | 10,935 | 60,023 | 62,252 | 200,843 |
| Team travel | 135,556 | 219,682 | 71,339 | 370,376 | 278,448 | 1,075,401 |
| Sports equipment, uniforms, and supplies | 214,511 | 74,434 | 44,608 | 288,876 | 65,327 | 687,756 |
| Game expenses | 88,043 | 85,890 | 56,241 | 314,751 | 212,025 | 756,950 |
| Fundraising, marketing, and promotion | 8,079 | (119) | 4,118 | 25,822 | 349,120 | 387,020 |
| Sports camp expenses | | 458 | 6,936 | | | 7,394 |
| Athletic facilities debt service, leases, and rental fees | 153,392 | 272 | 2,050 | 258,312 | 6,086 | 420,112 |
| Direct overhead and administrative expenses | | 139 | 140 | 6,653 | 257,652 | 264,584 |
| Indirect institutional support | | | | | 937,823 | 937,823 |
| Medical expenses and insurance | 2,286 | | | | 20,024 | 22,310 |
| Memberships and dues | 6,000 | 12,106 | 954 | 4,589 | 26,128 | 49,777 |
| Student-athlete meals (non-travel) | 10,276 | 1,528 | 1,309 | 11,714 | 48,557 | 73,384 |
| Other operating expenses | 27,069 | 27,776 | 4,889 | 37,500 | 517,359 | 614,593 |
| Total operating expenses | <u>3,418,834</u> | <u>1,439,739</u> | <u>1,080,408</u> | <u>4,972,805</u> | <u>4,081,659</u> | <u>14,993,445</u> |
| EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES | <u>(\$480,811)</u> | <u>(\$175,947)</u> | <u>(\$247,761)</u> | <u>(\$1,591,669)</u> | <u>\$1,157,961</u> | <u>(\$1,338,227)</u> |

NOTE 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. The University has no debt associated with its Athletic Department's capital assets.

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, 2023**

| Accounts Exceeding 10% Threshold and Variation Greater Than 10% | Fiscal Year 2023 | Fiscal Year 2022 | Increase/ (Decrease) | Percent Variance | |
|--|--------------------------------------|--------------------------------------|---------------------------------|-----------------------------|---|
| Operating Revenues per Statement A | | | | | |
| Student fees | \$1,580,133 | \$1,812,500 | (\$232,367) | (13%) | 1 |
| Contributions | \$1,366,623 | \$1,532,790 | (\$166,167) | (11%) | 2 |
| Operating Expenses per Statement A | | | | | |
| Athletic student aid | \$5,512,176 | \$4,931,782 | \$580,394 | 12% | 3 |
| Budget | | | | | |
| | Fiscal Year 2023 - Actual | Fiscal Year 2023 - Budget | Increase/ (Decrease) | Percent Variance | |
| Student fees | \$1,580,133 | \$1,764,000 | (\$183,867) | (10%) | 4 |
| Athletic student aid | \$5,512,176 | \$7,929,806 | (\$2,417,630) | (30%) | 5 |

NOTES:

1. Student fees decreased because enrollment decreased in both the Fall 2022 and Spring 2023 semesters.
2. Contributions decreased because the University raised less dollars than it did the previous year due to vacancy of the Athletic Director of External Affairs; this position is responsible for all fundraising, donations, and contributions.
3. Athletic student aid increased due to athletes receiving another year of eligibility and increased cost of attendance, on-campus housing, and meal plans.
4. Student fees were lower than projected due to decreased enrollment in both the Fall 2022 and Spring 2023 semesters.
5. The budgeted amount included incorrect student fee allocation amounts, double counted waivers and student fee expenses, excluded gender equity and international waivers, and included incorrect amounts for out-of-state waivers.