

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



AGREED-UPON PROCEDURES REPORT  
ISSUED FEBRUARY 4, 2015

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

January 14, 2015

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

**DR. JAMES HENDERSON, 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 Northwestern State University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the Northwestern State University Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Constitution 3.2.4.16 for the year ended June 30, 2014, and to assist you in your evaluation of the effectiveness of the University athletic department's internal control over financial reporting as of June 30, 2014. University management is responsible for the Statement (Unaudited), related note (Unaudited) and compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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 which 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 from a spreadsheet 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 internal audit reports issued during the period relating to the intercollegiate athletics program to identify any significant deficiencies noted.

We found no significant deficiencies identified in the internal audit reports.

4. We obtained the University's procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the University's intercollegiate athletics program and determined the University's adherence to the procedures.

We found no exceptions as a result of these procedures.

## **STATEMENT OF REVENUES AND EXPENSES**

### **GENERAL PROCEDURES**

1. We obtained written representations from management as to the fair presentation of the Statement, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and legislation, completeness of the list of all known affiliated and outside organizations, and other information we considered necessary for the year ended June 30, 2014.
2. We verified the mathematical accuracy of the amounts on the Statement and compared and agreed each operating revenue and expense category reported on the Statement to supporting schedules provided by the University and the University's general ledger.

We found no exceptions as a result of these procedures.

3. We compared each major operating revenue and expense account for June 30, 2013 and June 30, 2014, to identify variances of 20 percent or greater between individual revenue and expense accounts (line items) that are 10 percent or more of the total.

We identified no variances that were 20 percent or greater between individual revenue and expense accounts that are 10 percent or more of the total.

4. We compared the budgeted revenues and expenses to actual revenues and expenses for each major operating revenue and expense account for the year ended June 30, 2014, to identify any variances of 20 percent or greater in individual revenue and expense accounts (line items) that are 10 percent or more of the total.

We identified no variances that were 20 percent or greater in individual revenue and expense accounts that are 10 percent or more of the total.

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

1. Using a schedule prepared by the University, we compared the value of tickets sold, complimentary tickets provided, and unsold tickets for the reporting period per the schedule to the related revenue reported in the general ledger and Statement. We agreed the information on the schedule to the supporting game reconciliation for a random sample of one football, one basketball, and one baseball game. We also recalculated the reconciliations for the games tested.

We found no exceptions as a result of these procedures.

2. Based on the University's methodology for allocating student fees to the intercollegiate athletics program, we compared and agreed student fees reported in the Statement to student enrollment and we were to obtain explanations from the University regarding any variances in excess of 10 percent. We also recalculated the totals.

We found no exceptions as a result of these procedures and identified no variances that exceed 10 percent.

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

We found no exceptions as a result of these procedures.

4. We compared the direct institutional support recorded by the University during the period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

5. We compared the indirect institutional support recorded by the University during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

6. We randomly selected two agreements related to the University's participation in revenues from NCAA/conference tournaments during the period. Based on the relevant terms and conditions of the agreements, we compared and agreed the related revenues to the general ledger and the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

7. We randomly selected two agreements related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships during the period. Based on the relevant terms and conditions of the agreements, we compared and agreed the related revenues to the general ledger and the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

8. We obtained schedules listing all sports camp contracts between the University and the persons conducting university sports camps during the period, the total amount of revenue generated for each camp, the charge per participant, and the number of participants for each camp. We obtained schedules of camp participants. We randomly selected two individual camp participant cash receipts from the schedules and agreed each selection to the general ledger and/or Statement based on the University's methodology for recording revenues for the camps. We recalculated the totals.

We found no exceptions as a result of these procedures.

9. We randomly selected a sample of two parking receipts and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

10. We randomly selected a sample of one operating revenue receipt from each category not previously mentioned and agreed 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 randomly selected a sample of four students from the listing of University student aid recipients, obtained individual student-account detail for each selection, and compared total aid allocated from the related aid award letter to the student's account. We recalculated the totals.

We found no exceptions as a result of these procedures.

2. We obtained and inspected a random selected sample of two contractual agreements pertaining to expenses recorded by the University from guaranteed contests during the period. We used the game settlement report and agreed the related expenses to the University's general ledger and Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

3. We obtained from management a list of coaches and support staff/administrative personnel paid by the University and related entities during the reporting period and examined the contracts for a random sample of two support staff/administrative personnel and all head coaches from football and men's and women's basketball. The following procedures were performed:

- (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.
- (b) We obtained and inspected W-2s and 1099s for each selection.
- (c) We compared and agreed related W-2s and 1099s 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 recalculated the totals.

We found no exceptions as a result of these procedures.

4. We obtained a list prepared by the University and randomly selected one athletic employee with a severance payment. We agreed the severance pay to the related termination letter and employment contract. We recalculated the totals.

We found no exceptions as a result of these procedures.

5. We compared and agreed the University's recruiting expense policies to existing university and NCAA-related policies.

We found no exceptions as a result of this procedure.

6. We compared and agreed the University's team travel policies to existing institutional and NCAA-related policies.

We found no exceptions as a result of this procedure.

7. Based on the understanding of the University's methodology for allocating indirect facilities support, we compared and agreed indirect facilities and administrative support reported by the University in the Statement to the corresponding revenue category (indirect facilities and administrative support) reported by the University in the Statement. We summed the indirect facilities and indirect institutional support totals reported by the University in the Statement and determined it is presented in accordance with the University's methodology for allocating indirect facilities support. We recalculated the totals.

We found no exceptions as a result of these procedures.

8. We randomly selected one equipment, uniform, and supply expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

9. We randomly selected one game-day expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

10. We randomly selected one fund raising, marketing, and promotion expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

11. We randomly selected one sports camp expense and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

12. We randomly selected one direct facilities, maintenance, and rental expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

13. We randomly selected one spirit group expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

14. We randomly selected one medical and medical insurance expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

15. We randomly selected one membership and dues expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

16. We randomly selected one operating expense from each category not previously mentioned and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

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

1. We were to ensure that the value and source of funds, goods, or services received directly by the University's intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals (two or more) that constituted 10 percent or more of all contributions received for intercollegiate athletics during the reporting period was disclosed in the notes to the Statement.

There were no such contributions received directly by the University that constituted 10 percent or more of all contributions received for intercollegiate athletics during the reporting period.

2. We obtained a description of the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets along with a schedule of changes in those assets. We agreed the schedule of changes to the University's general ledger and ensured that the University's policies and procedures and schedule of changes are properly disclosed in the note to the Statement.

We found no exceptions as a result of these procedures.

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

1. We obtained from University management a listing of all affiliated and outside organizations for the reporting period. We also obtained written representations from management of the University that the Demons Unlimited Foundation was the only outside organization created for or on behalf of the athletic department.

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

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
<b>Revenues</b>						
Contributions	\$174,803	\$119,958	\$31,444	\$291,487	\$549,456	\$1,167,148
NCAA/conference distributions	21,200	3,445	3,710	37,630	32,625	98,610
Program sales, concessions, novelty sales, and parking	1,717	373	355	15,583		18,028
Royalties, licensing, advertisements, and sponsorships	1,358	2,500	2,500	8,275	359,424	374,057
Sports camp revenues		61,744	930	10,287		72,961
Endowment and investment income					225,033	225,033
Other	285	7,244	1,501	240	2,451	11,721
Total revenues	<u>199,363</u>	<u>195,264</u>	<u>40,440</u>	<u>363,502</u>	<u>1,168,989</u>	<u>1,967,558</u>
<b>Expenses</b>						
Athletics student aid	64,120	9,984	12,055	131,914	1,750	219,823
Guarantees		480	1,440	19,593		21,513
Coaching salaries, benefits, and bonuses	40,351	96,941	32,981	75,736		246,009
Support staff/administrative salaries, benefits, and bonuses	13,350			1,000	38,610	52,960
Recruiting	37,947	19,886	1,765	36,281	11,795	107,674
Team travel	8,618	765	5,432	57,614		72,429
Equipment, uniform, and supplies	18,568	7,618	8,998	127,391	15,428	178,003
Game expenses	15,564	1,213	1,183	8,978		26,938
Fund raising, marketing, and promotion	112,960	47,054	22,441	37,178	208,176	427,809
Sports camp expenses		50,055		5,344		55,399
Direct facilities, maintenance and rental	8,492	3,932	7,130	36,643	1,760	57,957
Medical expenses and medical insurance	18,430	14	205	1,124	40,350	60,123
Memberships and dues	100			1,310	3,234	4,644
Other Operating Expenses	20,636	24,593	8,412	25,418	185,629	264,688
Total expenses	<u>359,136</u>	<u>262,535</u>	<u>102,042</u>	<u>565,524</u>	<u>506,732</u>	<u>1,795,969</u>
<b>EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES</b>	<u>(\$159,773)</u>	<u>(\$67,271)</u>	<u>(\$61,602)</u>	<u>(\$202,022)</u>	<u>\$662,257</u>	<u>\$171,589</u>

We compared the schedule to the amounts in the University Statement and found no exceptions as a result of these procedures. We also obtained written representations as to the fair presentation of the summary schedule.

3. We obtained the independent auditor's report for all outside organizations to identify any significant deficiencies relating to the outside organization's internal control. We were to make inquiries of management to document any corrective action taken in response to the significant deficiencies.

The financial statements of the Demons Unlimited Foundation were audited by an independent certified public accounting firm for the year ended June 30, 2014. The audit report is dated September 19, 2014, and did not include a report on internal controls. However, the foundation did receive a separate NCAA agreed-upon procedures report that disclosed no exceptions were noted in the procedures.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement and related note of the University's athletic department or on its compliance with NCAA Constitution 3.2.4.16 or on the effectiveness of the University athletic department's internal control over financial reporting for the year ended June 30, 2014. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

KWB:BAC:BDC:EFS:aa

NWSU NCAA 2014



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

**Statement of Revenues and Expenses  
For the Year Ended June 30, 2014**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
<b>REVENUES</b>						
Operating revenues:						
Ticket sales	\$318,138	\$34,737	\$32,685	\$53,477		\$439,037
Student fees	219,311	49,982	52,493	340,271	\$69,055	731,112
Guarantees	625,000	417,800	60,000	26,500		1,129,300
Contributions	174,803	119,958	31,444	291,487	549,456	1,167,148
Direct institutional support	1,524,098	470,331	596,513	2,197,806	1,083,432	5,872,180
Indirect facilities and administrative support	221,129	9,488	3,943	150,717	635,867	1,021,144
NCAA/conference distributions including all tournament revenues	21,200	3,445	45,335	54,754	531,457	656,191
Program sales, concessions, novelty sales, and parking	22,790	373	355	15,583		39,101
Royalties, licensing, advertisements, and sponsorships	1,358	2,500	2,500	8,275	589,603	604,236
Sport-camp revenues		61,744	930	13,642		76,316
Endowment and investment income					225,033	225,033
Other	1,396	7,244	1,501	5,360	20,209	35,710
Total operating revenues	<u>3,129,223</u>	<u>1,177,602</u>	<u>827,699</u>	<u>3,157,872</u>	<u>3,704,112</u>	<u>11,996,508</u>
<b>EXPENSES</b>						
Operating expenses:						
Athletics student aid	1,322,923	269,916	348,587	1,936,136	35,934	3,913,496
Guarantees	67,500	9,758	7,140	23,189		107,587
Coaching salaries, benefits, and bonuses paid by the university and related entities	630,185	356,194	260,701	778,263		2,025,343
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	13,350			1,000	1,168,192	1,182,542
Severance payments	13,500					13,500
Recruiting	52,790	46,969	24,865	52,912	11,894	189,430
Team travel	215,898	81,987	95,579	459,325		852,789
Equipment, uniforms, and supplies	156,598	31,363	39,570	191,111	28,744	447,386
Game expenses	60,139	39,263	26,525	61,851	35,441	223,219
Fund raising, marketing, and promotion	112,960	47,054	22,441	37,251	227,825	447,531
Sport-camp expenses		50,055		5,355		55,410
Direct facilities, maintenance, and rental	19,872	17,008	18,403	82,193	257,735	395,211
Spirit groups		6,428	14,808			21,236
Indirect facilities and administrative support	221,129	9,488	3,943	150,717	635,867	1,021,144
Medical expenses and medical insurance	18,927	118	259	1,661	212,872	233,837
Memberships and dues	12,460	300	320	1,700	35,626	50,406
Other operating expense	22,710	53,454	25,269	32,452	307,556	441,441
Total operating expenses	<u>2,940,941</u>	<u>1,019,355</u>	<u>888,410</u>	<u>3,815,116</u>	<u>2,957,686</u>	<u>11,621,508</u>
<b>EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES</b>	<u>\$188,282</u>	<u>\$158,247</u>	<u>(\$60,711)</u>	<u>(\$657,244)</u>	<u>\$746,426</u>	<u>\$375,000</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, but the University does not have any infrastructure that meets that criterion. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and three to 10 years for most movable property. All departments within the University follow standardized policies and procedures established 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.

Capital asset activity for the athletic department for the year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Land improvements	\$2,919,713			\$2,919,713
Less: accumulated depreciation	(1,977,588)	(\$109,180)		(2,086,768)
Total land improvements	<u>942,125</u>	<u>(109,180)</u>	NONE	<u>832,945</u>
Buildings	12,849,790			12,849,790
Less: accumulated depreciation	(9,065,938)	(324,985)		(9,390,923)
Total buildings	<u>3,783,852</u>	<u>(324,985)</u>	NONE	<u>3,458,867</u>
Equipment	401,088	6,924		408,012
Less: accumulated depreciation	(297,640)	(21,257)		(318,897)
Total equipment	<u>103,448</u>	<u>(14,333)</u>	NONE	<u>89,115</u>
Total capital assets	<u>\$4,829,425</u>	<u>(\$448,498)</u>	NONE	<u>\$4,380,927</u>
Capital asset summary:				
Capital assets, at cost	\$16,170,591	\$6,924		\$16,177,515
Less: accumulated depreciation	(11,341,166)	(455,422)		(11,796,588)
Capital assets, net	<u>\$4,829,425</u>	<u>(\$448,498)</u>	NONE	<u>\$4,380,927</u>