



JAMES MADISON UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2013**

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Commonwealth of Virginia

Auditor of Public Accounts

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P.O. Box 1295
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January 15, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
And Review Commission

Jonathan R. Alger
President, James Madison University

INDEPENDENT AUDITOR'S REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of **James Madison University**, solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Constitution 3.2.4.16, for the year ended June 30, 2013. University management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's 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 the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

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

Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with our audit of the University's financial statements. In addition, we identified and reviewed those controls unique to Intercollegiate Athletics Programs, which were not reviewed in connection with our audit of the University's financial statements.
2. Intercollegiate Athletics Department management provided an organizational chart which we reviewed with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.

3. Intercollegiate Athletics Department management provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Intercollegiate Athletics Programs.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. Intercollegiate Athletics Department management prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. Intercollegiate Athletics Department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2013, as prepared by the University and shown in this report. We recalculated the addition of the amounts in the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts in management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the revenue and expense amounts reported in the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and review of actual amounts in comparison to budget estimates. We obtained and documented an understanding of significant variations.

Revenues

9. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We reviewed these reconciliations for selected months and found such reconciliations to be accurate and agreed them to the amounts recorded as ticket revenue for those months.
10. We compared student fees reported in the Schedule to amounts reported in the accounting records and amounts from the University's comprehensive fee allocated to intercollegiate athletics. We found these amounts to be materially in agreement.
11. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. This amount was deemed to be immaterial for detailed testing.

12. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by the Intercollegiate Athletics Programs from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. Except for contributions received from the JMU Foundation, Inc., an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs.
13. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we selected individual contribution amounts and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
14. We obtained amount reported in the Schedule for direct institutional support. This amount was deemed to be immaterial for detailed testing.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. This amount was deemed to be immaterial for detailed testing.
16. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.

Expenses

17. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. We selected individual student-athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.
18. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing.
19. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals and compared amounts paid during the fiscal year from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.
20. Intercollegiate Athletics Department management provided us with a listing of severance payments made during the reporting period. This amount was deemed to be immaterial for detailed testing.

21. We discussed the Intercollegiate Athletics Department's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies. We compared these policies to existing University and NCAA policies and noted substantial agreement of those policies.
22. We obtained an understanding of the University's methodology for allocating indirect facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
23. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the Intercollegiate Athletics Programs. These disbursements were for the various activities listed within the Schedule. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we conducted an audit of any financial statements of the Intercollegiate Athletics Department of James Madison University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of James Madison University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the University and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

EMS/alh

JAMES MADISON UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2013

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 1,871,713	\$ 115,083	\$ 109,122	\$ 18,121	\$ 113,773	\$ 2,227,812
Student fees	3,622,228	1,965,423	1,719,528	9,682,068	10,022,110	27,011,357
Guarantees	350,000	60,000	-	1,000	-	411,000
Contributions	14,266	230	300	151,235	1,982,775	2,148,806
Direct institutional support	418,164	81,393	81,392	245,509	590,922	1,417,380
NCAA/conference distributions including all tournament revenues	45,396	10,815	6,139	146,394	1,398,283	1,607,027
Program sales, concessions, novelty sales, and parking	212,700	-	-	-	-	212,700
Royalties, advertisements and sponsorships	451,693	293,208	76,325	138,370	6,274	965,870
Other	-	-	4,125	-	66,765	70,890
Total operating revenues	<u>6,986,160</u>	<u>2,526,152</u>	<u>1,996,931</u>	<u>10,382,697</u>	<u>14,180,902</u>	<u>36,072,842</u>
Operating expenses:						
Athletic student aid	1,707,295	558,138	343,797	4,130,682	448,243	7,188,155
Guarantees	260,000	5,000	79,000	32,000	-	376,000
Coaching salaries, benefits, and bonuses paid by the University and related entities	956,431	781,461	576,623	2,349,284	-	4,663,799
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	379,637	89,952	128,806	-	5,738,770	6,337,165
Severance payments	91,417	-	-	56,233	23,040	170,690
Recruiting	57,731	93,079	68,887	169,229	-	388,926
Team travel	381,050	229,983	185,936	1,210,913	-	2,007,882
Equipment, uniforms, and supplies	178,963	41,046	37,507	368,816	84,275	710,607
Game expenses	1,002,975	112,228	91,314	196,480	259,948	1,662,945
Fundraising, marketing and promotions	382,319	173,731	75,468	106,242	583,829	1,321,589
Direct facilities, maintenance and rental	1,233,338	351,260	350,738	1,412,717	2,123,536	5,471,589
Spirit groups	-	-	-	-	630,745	630,745
Medical expenses and medical insurance	42,387	9,239	10,365	57,811	381,714	501,516
Memberships and dues	30,000	845	800	10,782	64,215	106,642
Other	282,617	80,190	47,690	281,508	3,842,587	4,534,592
Total operating expenses	<u>6,986,160</u>	<u>2,526,152</u>	<u>1,996,931</u>	<u>10,382,697</u>	<u>14,180,902</u>	<u>36,072,842</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this Schedule.

JAMES MADISON UNIVERSITY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2013

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses for the University's Athletic Department has been prepared on the accrual basis of accounting. The Schedule's purpose is to present a summary of revenues and expenses related to the University's Intercollegiate Athletics Programs for the year ended June 30, 2013. The Schedule includes both those revenues and expenses for athletic programs under the direct accounting control of the University and those on behalf of the University's athletics programs by outside organizations not under the University's accounting control. Because the Schedule presents only a selected portion of the University's activities, it is not intended to and does not present either the net assets, changes in net assets, or changes in cash flow for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "non-program specific."

2. COMPONENT UNIT

The Schedule includes transactions of the James Madison University Foundation, Inc. made on behalf of the athletics programs. This foundation was organized for fund-raising activities that support the welfare, efficiency, and general objectives of the University. The Foundation's expenses made in support of athletics totaling \$1,986,163 are included in the revenue as "contributions" and included in various operating expense lines. Donations to the foundation earmarked for capital project expenses are not included in the Schedule.

3. CAPITAL ASSETS

Capital assets include buildings and other improvements, equipment, and infrastructure assets such as sidewalks, steam tunnels, and electrical and computer network cabling systems. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Expenses for major capital assets and improvements are capitalized (construction-in-progress) as projects are constructed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	25-50 years
Other improvements and infrastructure	20 years
Equipment	5-15 years

A summary of athletic related capital assets for the year ending June 30, 2013 is presented as follows:

Depreciable capital assets:	
Buildings and other improvements	\$ 129,380,724
Infrastructure	15,007,658
Equipment	<u>4,323,975</u>
Total depreciable capital assets	<u>148,712,357</u>
Less accumulated depreciation for:	
Buildings and other improvements	21,582,954
Infrastructure	1,245,909
Equipment	<u>1,960,448</u>
Total accumulated depreciation	<u>24,789,311</u>
Total capital assets, net	<u>\$ 123,923,046</u>

4. LONG-TERM DEBT

For debt related to the Intercollegiate Athletic Department, the University has issued Section 9(d) bonds pursuant to Article X of the Constitution of Virginia. These bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia, legally, morally, or otherwise. Pledged general fund revenues include general fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue also secures these notes.

<u>Description</u>	<u>Interest Rates (%)</u>	<u>Maturity</u>	<u>Balance at June 30, 2013</u>
Athletic Performance Center, Series 2003A	2.00 - 5.00	2014	\$ 230,000
Acquisition of Land, Series 2006A	3.00 - 5.00	2027	3,145,000
Multipurpose Recreation Fields, Series 2009A	2.10 - 5.00	2029	1,956,900
Softball/Baseball Complex, Series 2009A	3.00 - 5.00	2029	5,715,000
Renov/Expand Bridgeforth Stadium, Series 2009B	2.00 - 5.00	2030	38,925,000
Renov/Expand Athletics/Recreation, Series 2009B	2.00 - 5.00	2030	14,404,300
Renov/Expand Athletics/Recreation, Series 2010A	2.00 - 5.50	2031	<u>5,211,300</u>
Total			<u>\$ 69,587,500</u>

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,979,800	\$ 3,328,034
2015	2,885,800	3,185,937
2016	3,031,350	3,042,410
2017	3,183,150	2,890,850
2018	3,337,850	2,731,989
2019-2023	19,329,050	10,973,843
2024-2028	24,258,100	5,624,074
2029-2033	<u>10,582,400</u>	<u>555,316</u>
Total	<u>\$ 69,587,500</u>	<u>\$ 32,332,453</u>

5. OTHER EXPENSES

The Commonwealth's Appropriation Act requires that educational and general programs in institutions of higher education recover the full indirect cost of auxiliary enterprise programs. Therefore the University assesses each auxiliary unit an "agency service charge" to recover institutional educational and general administrative costs. In fiscal year 2013, this charge to the athletics' departments amounted to \$2,816,186 and is included in the "other" expense line.

JAMES MADISON UNIVERSITY
Harrisonburg, Virginia

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