

JAMES MADISON UNIVERSITY®

AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2014

JAMES MADISON UNIVERSITY

AUDITED FINANCIAL REPORT 2013 - 2014

TABLE OF CONTENTS

	<u>PAGES</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-9
FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	12-13
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	15
STATEMENT OF CASH FLOWS	16-17
NOTES TO FINANCIAL STATEMENTS	20-38
INDEPENDENT AUDITOR'S REPORT	39-41
UNIVERSITY OFFICIALS	42

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Overview

This Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily read analysis of James Madison University's (University) financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2014. Comparative numbers, where presented, are for the fiscal year ending June 30, 2013. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying financial statements, and notes to financial statements. University management is responsible for all of the financial information presented, including this discussion and analysis.

The financial statements referred to above were prepared in accordance with GASB Statement Number 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement Number 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by subsequent GASB Statement Numbers 37, 38, and 61. GASB Statement Number 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, addresses which fund-raising, research, or other foundations should be included as component units and how these component units should be displayed in the financial statements. Under Statement Number 61's standards, the James Madison University Foundation, Inc. (Foundation) meets the criteria and is included as a component unit. The Foundation is presented in a separate column on the University's financial statements; however, inter-company transactions between the University and the Foundation have not been eliminated. The remainder of this discussion and analysis excludes the Foundation's financial condition and activities.

The three basic financial statements are the Statement of Net Position (balance sheet), the Statement of Revenues, Expenses, and Changes in Net Position (operating statement), and the Statement of Cash Flows. The following analysis discusses elements from each of these statements, as well as an overview of the University's activities.

Statement of Net Position

The Statement of Net Position (SNP) presents the University's assets, liabilities, and net position as of the end of the fiscal year. The purpose of this statement is to present to the financial statement readers a snapshot of the University's financial position at June 30, 2014. The data presented in the SNP aids in determining the assets available to continue the University's operations. It also allows readers to determine how much the University owes to vendors and creditors. Finally, the SNP provides a picture of net assets and their availability for expenditure by the University. Sustained increases in net position are one indicator of an organization's financial health.

Net position is divided into three major categories. The first category, "Net investment in capital assets" represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets. The next category is "Restricted net position," which is divided into two categories, expendable and non-expendable. Expendable restricted position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties. Non-expendable restricted net position consists of endowments

and similar type funds where donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to the principal. Unrestricted net position represents resources used for the University's general operations. They may be used at the discretion of the University's Board of Visitors to meet current expenses for any lawful purpose in support of educational, general, and auxiliary activities.

Statement of Net Position
(In thousands)

	2014	2013	Increase (Decrease)	
			Amount	Percent
Current Assets	167,123	157,368	9,755	6.2%
Noncurrent assets				
Capital assets, net	894,397	844,962	49,435	5.9%
Other noncurrent assets	45,711	15,875	29,836	187.9%
Total noncurrent assets	940,108	860,837	79,271	9.2%
Deferred outflow of resources	1,832	2,062	(230)	-11.2%
Total Assets and deferred outflow of resources	1,109,063	1,020,267	88,796	8.7%
Current liabilities	90,789	86,668	4,121	4.8%
Noncurrent liabilities	256,293	219,536	36,757	16.7%
Deferred inflow of resources	273	328	(55)	-16.8%
Total liabilities and deferred inflow of resources	347,355	306,532	40,823	13.3%
Net position				
Net investment in capital assets	669,184	627,915	41,269	6.6%
Restricted - expendable	8,496	4,283	4,213	98.4%
Unrestricted	84,029	81,537	2,492	3.1%
Total net position	761,709	713,735	47,974	6.7%

In 2014, the University's total assets and deferred outflow of resources increased by \$88.8 million, mostly attributable to the \$49.4 million net increase in capital assets. Significant additions included continuing and completed projects capitalized during the year, including the Student Success Center (\$54.8 million), Duke Hall renovation/expansion (\$38.2 million), and Health Center renovation (\$11.3M). Further, increases in construction-in-progress include Grace Street Student Housing (\$12.5 million) and University Recreation renovation/expansion (\$6.5 million). The increase in capital assets is further discussed in the next section of this analysis.

The \$9.8 million increase in current assets primarily relates to auxiliary cash balances, which increased \$6.7 million, mostly due to delayed bond sales for capital projects. The delays resulted in savings of budgeted debt service payments related to the Grace Street Student Housing (\$3.6 million) and University Recreation renovation/expansion (\$4.9 million) projects. Other non-current assets increased by \$29.8 million, largely due to a \$24.7 million increase in unspent bond proceeds held as restricted cash equivalents, which

were used primarily for the Grace Street Student Housing and Health Center projects. Current liabilities increased \$4.1 million, including an increase of \$2.6 million for accounts payable and accrued expenses. The increase in accounts payable and accrued expenses is largely attributable to the timing of construction payments related to the Grace Street Student Housing, University Recreation renovation/expansion, and Health Science Building projects. Additional increases in current liabilities are the results of a \$1.8 million increase in deposits held for others and a \$1.4 million increase in the current portion of long-term debt. These increases are offset by a \$1.1 million decrease in deferred revenue.

Capital Asset and Debt Administration

A critical factor in ensuring quality University academic, research, and residential life functions is the development and renewal of its capital assets. The University continues to maintain and upgrade current facilities as well as pursue funding opportunities for construction and purchase of additional facilities. Investment in new and upgrading current structures serves to enrich high-quality instructional programs, research activities, and residential lifestyles.

Note 5 of the Notes to Financial Statements describes the University's significant investment in capital assets with total depreciable capital asset additions of \$127.0 million (excludes land, artwork and construction-in-progress) in 2014, as compared to \$68.0 million in 2013. Additions in fiscal year 2014 included completion of the Student Success Center renovations (\$54.8 million), Duke Hall renovation/expansion (\$38.2 million), and Health Center renovation (\$11.3 million). Additions in fiscal year 2013 included completion of University Park (\$49.0 million) and purchases of equipment and library books (\$10.7 million). University Park and the Health Center were primarily funded with debt proceeds, while University Park also included auxiliary reserve funding. Duke Hall and the Student Success Center were primarily funded with 21st Century program funding, while the Student Success Center also utilized debt proceeds for the portion of the project related to dining facilities. Non-depreciable additions for 2014 include \$2.8 million for various land purchases adjacent to the University. Non-depreciable additions for 2013 include \$6.5 million for the Walnut Lane property acquisition. Depreciation expense was \$35.0 million and \$33.9 million in 2014 and 2013, with net retirements of \$1.6 million and \$13.9 million resulting in a net increase of depreciable capital assets of \$90.4 million and \$20.2 million for 2014 and 2013, respectively.

Major projects still under construction at June 30, 2014 include Grace Street Student Housing (\$15.0 million), University Recreation renovation/expansion (\$8.1 million), and the Health Sciences Building (\$4.1 million). The Grace Street Student Housing and University Recreation renovation/expansion projects are primarily funded by debt proceeds, while the Grace Street Student Housing project includes auxiliary reserve funding as well. The Health Sciences Building is primarily funded with state 21st Century program funds. Major projects under construction at June 30, 2013 included the Student Success Center (\$32.4 million), Duke Hall renovation/expansion (\$30.0 million), Health Center (\$7.0 million), Grace Street Housing (\$2.5 million), and UREC renovation/expansion (\$1.6 million).

The University's total long-term debt increased to \$261.8 million in 2014 from \$224.0 million in fiscal year 2013. The increase is the result of new debt in 2014 of \$46.7 million for the construction of Grace Street Student Housing; offset by debt principal payments made throughout the year on outstanding debt balances.

The University's Board of Visitors approved "Debt Management Guidelines and Procedures" established that the maximum annual debt service costs as a percentage of total operating revenues shall not exceed ten percent for non-revenue producing capital projects. The University's 2014 ratio was 4.6 percent, as compared to 5.1 percent for 2013.

Overall, unpaid construction and other related contractual commitments increased from \$53.9 million in 2013 to \$59.1 million in 2014. Unpaid commitments at June 30, 2014 primarily reflect construction contracts on Grace Street Student Housing, University Recreation renovation/expansion, and Health Science building. Unpaid commitments at June 30, 2013 primarily reflected construction contracts on the Student Success Center, Duke Hall Renovation, Health Center, and University Recreation Center Addition. Further information relating to capital assets, construction, and capital debt is included in the Notes to Financial Statements in Notes 5 and 8.

Statement of Revenues, Expenses, and Changes in Net Position

The operating and non-operating activities creating the changes in the University's total net position are presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investment and capital asset activities.

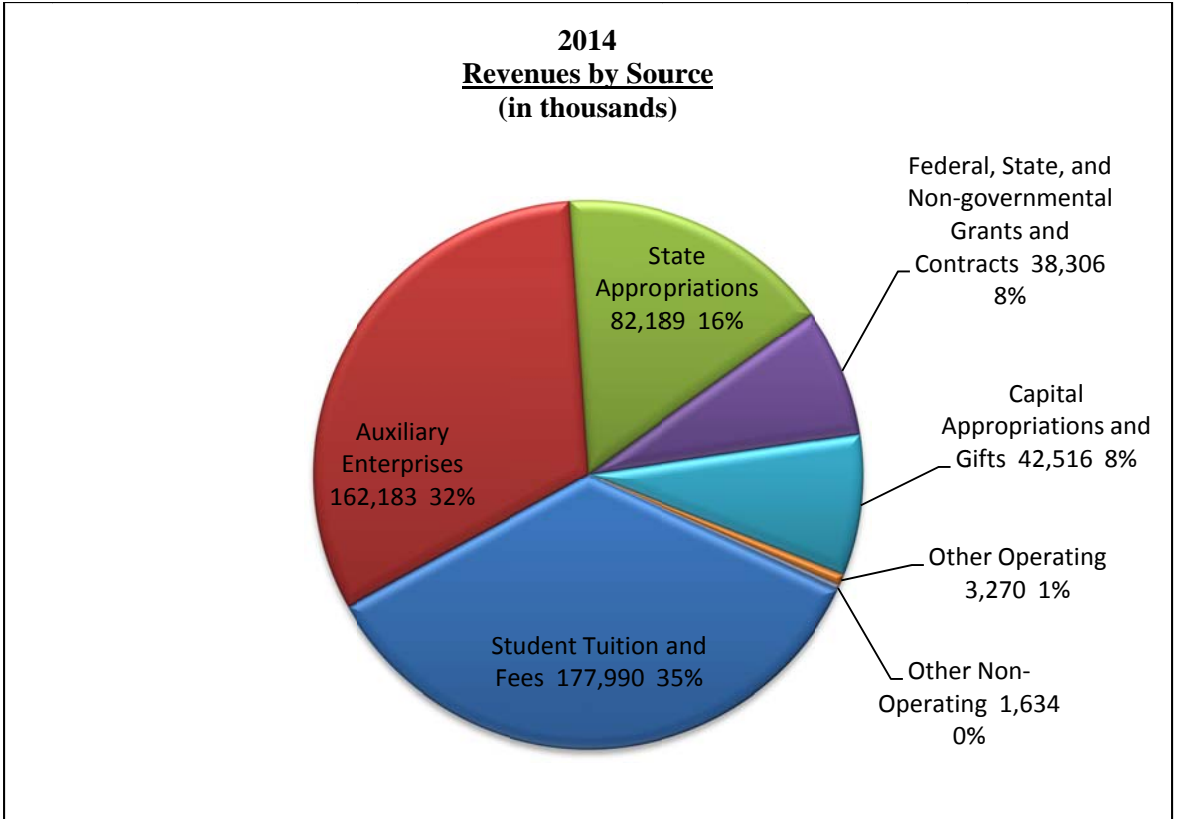
Generally, operating revenues are received for providing goods and services to students and other constituencies of the University. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's mission. Salaries and wages, and fringe benefits for faculty and staff are the largest type of operating expense.

Non-operating revenues are revenues received for which goods and services are not directly provided. State appropriations and gifts are included in this category, but provide substantial support for paying the University's operating expenses. Therefore, the University, like most public institutions, will expect to show an operating loss.

Statement of Revenues, Expenses, and Changes in Net Position
(In thousands)

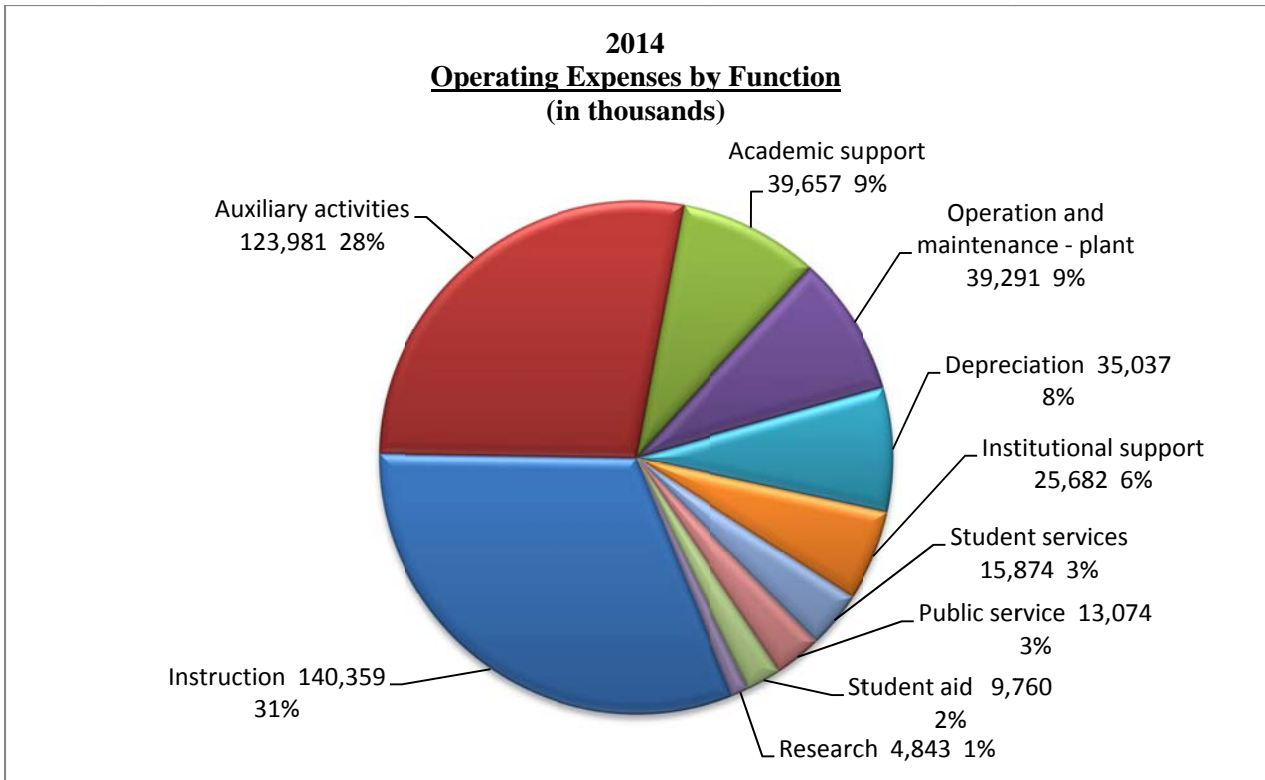
	2014	2013	Amount	Percent
Operating revenues	370,632	358,690	11,942	3.3%
Operating expenses	447,558	425,524	22,034	5.2%
Operating loss	(76,926)	(66,834)	(10,092)	15.1%
Nonoperating revenues (expenses)				
State appropriations	82,189	79,019	3,170	4.0%
Grants and Contracts	11,118	10,095	1,023	10.1%
Gifts	847	1,121	(274)	-24.4%
Investment Income	786	1,683	(897)	-53.3%
Interest on capital asset related debt	(8,365)	(7,776)	(589)	7.6%
Loss on disposal of plant assets	(1,301)	(13,653)	12,352	-90.5%
Payments to the Commonwealth	(2,890)	(2,934)	44	-1.5%
Net nonoperating revenue (expenses)	82,384	67,555	14,829	22.0%
Income before other revenues, expenses, gains, or losses	5,458	721	4,737	657.0%
Capital appropriations and contributions	42,412	61,686	(19,274)	-31.2%
Capital gifts	104	156	(52)	-33.3%
Reductions to permanent endowments	-	-	-	#DIV/0!
Total other	42,516	61,842	(19,326)	-31.3%
Increase in net position	47,974	62,563	(14,589)	-23.3%
Net position - beginning of year	713,734	651,171	62,563	9.6%
Net position - end of year	761,708	713,734	47,974	6.7%

Following is a graphic illustration of revenues by source (both operating and non-operating) used to fund the University's activities for the years ended June 30, 2014. As noted above, critical recurring revenue sources such as state and capital appropriations are considered non-operating.



Operating revenues, consisting mostly of tuition and fees and auxiliary enterprises, increased \$11.9 million or three percent from the prior fiscal year. Student tuition and fees, net of scholarship allowances, increased by \$8.2 million or five percent in fiscal year 2014. The 2014 tuition increase was due to a combination of average rate increases of five percent and an approximate two percent increase in undergraduate headcount. Auxiliary revenues increased by \$4.0 million or three percent. The increase reflects an approximate three percent rate increase in room, board, and comprehensive fees year over year.

The following graphical illustration presents total operating expenses for fiscal year 2014 by function.



Total 2014 operating expenses increased \$22.0 million or five percent. Compensation expenses, consisting of the natural expense classifications salaries, wages, and fringe benefits, comprise the largest University expense. Compensation expenses comprised 53 percent of the University's total operating expenses in both 2014 and 2013. Compensation expense increased by \$10.3 million, or five percent. The increase is a result of several factors, including increases in the salaries/wages (\$9.3 million) due to salary increases, employer paid medical insurance rates (\$4.3 million), offset by a decrease in bonuses paid during the year (\$5.8 million). Another factor driving the increase in operating expenses was an increase in sales and services/utility expenses (\$7.6 million).

Net non-operating revenue and expenses totaled \$82.4 million, an increase of \$14.8 million from the prior year. The increase in this category results primarily from the prior year loss on disposal of plant assets of \$13.7 million due to the demolition/renovation of the previously purchased Rockingham Memorial Hospital related to the construction of the Student Success Center and Health Center. No major building demolition occurred during 2014. Additionally, state appropriations increased by \$3.2 million. Other revenues and gains include capital appropriations and contributions, which decreased by \$19.3 million in 2014. The decrease is the result of additional 21st Century funding received from the state for various construction projects.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the University's cash activity during the year. Operating cash flows will always be different from the operating loss on the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). This difference occurs because the SRECNP is prepared on the accrual basis of accounting and includes non-cash items such as depreciation expense, and

the Statement of Cash Flows presents cash inflows and outflows without regard to accrual items. The Statement of Cash Flows assists readers in assessing the ability of an institution to generate future cash flows necessary to meet obligations and evaluate its potential for additional financing.

The statement is divided into five sections. The first section shows the net cash used by the University's operating activities. The next section reflects the cash flows from non-capital financing activities and includes state appropriations for the University's educational and general programs and financial aid. This section reflects the cash received and spent for items other than operating, investing, and capital financing purposes. Cash flows from capital financing activities present cash used for the acquisition and construction of capital and related items. The next section shows cash flows related to purchases, proceeds, and interest received from investing activities. The last section reconciles the net cash used by operating activities to the operating loss reflected on the SRECNP.

Statement of Cash Flows
(in thousands)

	2014	2013	Increase (Decrease)	
			Amount	Percent
Cash provided (used) by:				
Operating activities	(38,688)	(39,222)	534	-1.4%
Non-capital financing activities	92,654	88,327	4,327	4.9%
Capital financing activities	(3,456)	(40,317)	36,861	-91.4%
Investing activities	1,232	1,707	(475)	-27.8%
Net increase(decrease) in cash	51,742	10,495	41,247	393.0%
Cash - beginning of the year	124,082	113,587	10,495	9.2%
Cash - end of the year	175,824	124,082	51,742	41.7%

Major sources of cash from operating activities include student tuition and fees (\$177.2 million in 2014 and \$167.8 million in 2013), auxiliary enterprises receipts (\$161.5 million in 2014 and \$158.2 million in 2013), and grants and contracts (\$28.2 million in 2014 and \$27.5 million in 2013). Major uses of cash include payments for salaries, wages, and fringe benefits (\$235.2 million in 2014 and \$227.4 million in 2013), payments for supplies, services, and utilities (\$139.0 million in 2014 and \$136.9 million in 2013), and payments for non-capitalized plant improvements and equipment (\$25.0 million in 2014 and \$23.4 million in 2013).

Cash flows from non-capital financing activities include state appropriations for the University's educational and general programs and financial aid of \$82.2 million and \$79.0 million in 2014 and 2013, respectively. The cash flows from capital financing activities section deals with cash used for the acquisition and construction of capital and related items. Primary sources of cash from capital financing activities in 2014 and 2013 include capital appropriations and contributions (\$51.1 million in 2014 and \$54.3 million in 2013) and proceeds from issuance of capital related debt (\$50.0 million in 2014 and \$17.9 million in 2013). Significant cash outflows include purchases and construction of capital assets (\$83.9 million in 2014 and \$89.9 million in 2013) and repayment of principal and interest on capital related debt (\$20.8 million in 2014 and \$22.7 million in 2013).

Economic Outlook

The University, as a public institution, is subject to many of the economic conditions impacting the Commonwealth of Virginia. Economic factors related to the Commonwealth can be found in the Commonwealth's Comprehensive Annual Financial Report (CAFR). As a public institution, the University receives significant Commonwealth support from operating and capital appropriations. State operating appropriations currently cover 28 percent of operating expenses, excluding auxiliary activities and depreciation. Building on the *Virginia Higher Education Opportunity Act* passed in 2011, the 2013 Legislative Session continued reinvestment into higher education for the fiscal year 2014. However, Virginia suffered an unanticipated and significant revenue shortfall as fiscal year 2014 ended. As a result, in August 2014, the Governor and his advisory council made an official reforecast of revenue for fiscal years 2015 and 2016, and certified the revenue shortfall to the General Assembly. As requested, in September 2014, higher education agencies submitted savings plans of five and seven percent of general fund appropriations for 2015 and 2016. The University's actual general fund reduction amounted to 3.7%, or \$3,113,308 for 2015 and .5%, or \$407,487 for 2016. While the Commonwealth of Virginia maintained the university's board of visitors' authority to establish tuition and fee rates, significant emphasis has been placed on slowing the rate of increase in the tuition rate for Virginia undergraduate students. The commonwealth has expressed interest in furthering its investment in higher education; however, slow growth in state revenue has constrained state support.

The University continues to work with the state officials to support higher education through the *Virginia Higher Education Opportunity Act of 2011*. The six year academic, enrollment, and financial planning process defined by this legislation has potential implications for future state support and tuition rates. As a part of this funding framework, the commonwealth has moved to an environment that seeks to incentivize certain activities in support of state goals such as increased STEM-H (science, technology, engineering, mathematics, and health) degree completion.

The Higher Education Restructuring Act (Act) provides a framework for the University to potentially gain additional decentralized authority from the Commonwealth in financial and administrative operations. In exchange for meeting 11 state goals listed in the Act, the University will be eligible for the immediate benefits of level one autonomy. Benefits include additional flexibility and authority with regard to disposing of property, entering into capital lease agreements, continuing existing memorandums of understanding for decentralized activities, and procurement flexibility. As required by the Act, the University's Board of Visitors passed a resolution committing to these goals in June 2005. In September 2008, the University's Board of Visitors approved management's request to move to level two autonomy under the Higher Education Restructuring Act in the areas of Procurement and Information Technology. The University received this delegated restructuring authority during 2009.

The University's overall financial position remains strong. As in fiscal year 2013, the University generated an overall increase in net position during 2014. These increases are indicators of the University's sound and prudent uses of financial resources. Management continues to maintain a close watch over resources and the U.S. economy as a whole to react to unknown internal and external issues and sustain the University's current sound financial position.

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FINANCIAL STATEMENTS

JAMES MADISON UNIVERSITY
STATEMENT OF NET POSITION

As of June 30, 2014 (with comparative information as of June 30, 2013)

	2014		2013	
	James Madison University	Component Unit	James Madison University*	Component Unit
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 134,394,162	\$ 3,996,832	\$ 112,412,387	\$ 3,416,038
Securities lending - Cash and cash equivalents (Note 2)	8,040,739	-	8,381,696	-
Short-term investments (Note 2)	260,332	-	451,922	-
Accounts receivable (Net of allowance for doubtful accounts of \$598,752 and \$585,931 for 2014 and 2013, respectively) (Note 3)	5,983,689	56,475	6,700,490	54,188
Contributions receivable (Net of allowance for doubtful contributions of \$37,983 and \$96,181 for 2014 and 2013, respectively) (Note 3)	-	1,126,150	-	1,062,850
Due from the Commonwealth (Note 4)	6,364,503	-	15,677,043	-
Prepaid expenses	10,735,912	90,497	12,368,530	28,854
Inventory	955,854	-	1,016,004	-
Notes receivable (Net of allowance for doubtful accounts of \$46,598 and \$51,608 for 2014 and 2013, respectively)	388,080	-	360,653	-
Total current assets	167,123,271	5,269,954	157,368,725	4,561,930
Non-current assets:				
Restricted cash and cash equivalents (Note 2)	41,430,267	-	11,670,062	-
Endowment investments (Note 2)	-	51,529,317	-	48,016,896
Other long-term investments (Note 2)	2,111,959	42,035,137	2,031,092	31,618,380
Land held for future use	-	4,860,348	-	4,860,348
Contributions receivable (Net of allowance for doubtful contributions of \$33,458 and \$1,019,744 for 2014 and 2013 respectively) (Note 3)	-	1,639,479	-	1,558,255
Prepaid expenses	273,646	-	257,801	-
Notes receivable (Net of allowance for doubtful accounts of \$227,508 and \$237,140 for 2014 and 2013, respectively)	1,895,267	-	1,916,352	-
Capital assets, net: (Note 5)				
Non-depreciable	116,972,861	1,250,552	157,962,603	1,157,991
Depreciable	777,424,233	3,859,658	686,998,975	1,564,410
Other assets	-	19,655	-	2,145
Total non-current assets	940,108,233	105,194,146	860,836,885	88,778,425
Deferred outflow of resources (Note 9)	1,831,849	-	2,061,799	-
Total assets and deferred outflow of resources	1,109,063,353	110,464,100	1,020,267,409	93,340,355
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses (Note 6)	45,361,541	208,100	42,795,880	220,811
Unearned revenue	12,825,654	326,363	13,918,305	-
Obligations under securities lending	8,301,071	-	8,833,618	-
Deposits held in custody for others	7,288,631	-	5,469,877	-
Long-term liabilities - current portion (Note 7)	16,961,338	234,176	15,600,512	74,254
Advance from the Treasurer of Virginia	50,000	-	50,000	-
Total current liabilities	90,788,235	768,639	86,668,192	295,065
Non-current liabilities (Note 7)	256,293,156	2,709,394	219,535,592	569,545
Deferred inflow of resources (Note 9)	273,166	-	328,498	-
Total liabilities and deferred inflow of resources	347,354,557	3,478,033	306,532,282	864,610

JAMES MADISON UNIVERSITY
STATEMENT OF NET POSITION

As of June 30, 2014 (with comparative information as of June 30, 2013)

	2014		2013	
	James Madison University	Component Unit	James Madison University*	Component Unit
NET POSITION				
Net investment in capital assets	669,184,291	2,812,432	627,915,483	2,722,401
Restricted for:				
Non-expendable:				
Scholarships and fellowships	-	36,181,726	-	33,435,080
Research and public service	-	2,130,282	-	2,093,963
Other	-	14,111,315	-	13,446,685
Expendable:				
Scholarships and fellowships	-	14,718,426	-	9,651,451
Research and public service	1,925,310	1,852,860	1,645,387	1,912,089
Debt service	368,013	-	221,397	-
Capital projects	5,885,386	2,230,789	2,096,834	1,569,426
Loans	317,366	-	319,158	-
Other	-	20,053,582	-	17,264,101
Unrestricted	84,028,430	12,894,655	81,536,868	10,380,549
Total net position	\$ 761,708,796	\$ 106,986,067	\$ 713,735,127	\$ 92,475,745

The accompanying Notes to Financial Statements are an integral part of this statement.

*Certain prior year amounts were restated to agree to current year classifications

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JAMES MADISON UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2014 (with comparative information for the year ended June 30, 2013)

	2014		2013	
	James Madison University	Component Unit	James Madison University*	Component Unit
Operating revenues:				
Student tuition and fees (Net of scholarship allowances of \$13,099,419 and \$12,181,962 for 2014 and 2013, respectively)	\$ 177,989,678	\$ -	\$ 169,763,877	\$ -
Gifts and contributions	-	6,465,956	-	5,630,646
Federal grants and contracts	13,266,312	-	15,182,429	-
State grants and contracts	7,895,698	-	8,027,670	-
Non-governmental grants and contracts	6,026,609	-	4,229,202	-
Auxiliary enterprises (Net of scholarship allowances of \$9,676,813 and \$9,276,939 for 2014 and 2013, respectively) (Note 11)	162,183,276	-	158,265,989	-
Sales and Services of Education and General Activities	1,816,718	-	1,498,313	-
Other operating revenues	1,453,033	574,088	1,722,679	624,767
Total operating revenues	370,631,324	7,040,044	358,690,159	6,255,413
Operating expenses (Note 12):				
Instruction	140,358,805	639,174	133,445,410	647,703
Research	4,842,870	9,881	6,493,752	9,580
Public service	13,074,273	90,016	12,584,704	316,637
Academic support	39,656,736	736,996	37,137,770	740,320
Student services	15,873,848	91,543	15,510,672	108,181
Institutional support	25,682,435	5,094,382	29,330,846	4,019,767
Operation and maintenance - plant	39,290,677	57,550	31,549,983	56,624
Depreciation	35,036,678	78,567	33,905,352	46,205
Student aid	9,759,658	3,073,024	8,437,896	3,062,452
Auxiliary activities (Note 11)	123,981,584	661,907	117,127,184	675,333
Total operating expenses	447,557,564	10,533,040	425,523,569	9,682,802
Operating loss	(76,926,240)	(3,492,996)	(66,833,410)	(3,427,389)
Non-operating revenues/(expenses):				
State appropriations (Note 13)	82,188,926	-	79,018,980	-
Grants and contracts (Note 1 L.)	11,117,769	-	10,095,506	-
Gifts	847,606	-	1,120,688	-
Investment income (Net of investment expense of \$11,762 and \$26,323 for the University and \$444,729 and \$344,704 for the Foundation for 2014 and 2013, respectively)	785,908	11,416,060	1,683,369	8,086,522
In-Kind support from James Madison University	-	3,463,148	-	2,586,864
Interest on capital asset - related debt	(8,365,194)	(45,438)	(7,776,164)	(105,201)
Gain(Loss) on disposal of plant assets	(1,300,783)	-	(13,652,586)	282,161
Payment to the Commonwealth	(2,890,082)	-	(2,934,120)	-
Net non-operating revenues/(expenses)	82,384,150	14,833,770	67,555,673	10,850,346
Income before other revenues, expenses, gains or losses	5,457,910	11,340,774	722,263	7,422,957
Capital appropriations and contributions (Note 14)	42,411,324	-	61,685,701	-
Capital gifts	104,435	-	156,507	-
Additions to permanent endowments	-	3,169,548	-	1,754,308
Net other revenues	42,515,759	3,169,548	61,842,208	1,754,308
Increase in net position	47,973,669	14,510,322	62,564,471	9,177,265
Net position - beginning of year	713,735,127	92,475,745	651,170,656	83,298,480
Net position - end of year	\$ 761,708,796	\$ 106,986,067	\$ 713,735,127	\$ 92,475,745

The accompanying Notes to Financial Statements are an integral part of this statement.

*Certain prior year amounts were restated to agree to current year classifications.

JAMES MADISON UNIVERSITY
STATEMENT OF CASH FLOWS

For the year ended June 30, 2014 (with comparative information for the year ended June 30, 2013)

	2014	2013
Cash flows from operating activities:		
Student tuition and fees	\$ 177,185,743	\$ 167,754,540
Grants and contracts	28,222,240	27,549,143
Auxiliary enterprises	161,501,322	158,238,555
Other receipts	3,392,715	3,331,657
Payments for compensation and benefits	(235,225,167)	(227,352,555)
Payments for services, supplies and utilities	(138,986,177)	(136,896,810)
Payments for scholarships and fellowships	(9,759,658)	(8,437,896)
Payments for non-capitalized plant improvements and equipment	(24,999,068)	(23,413,010)
Loans issued to students	(502,121)	(449,887)
Collections of loans from students	482,102	454,566
	<u>(38,688,069)</u>	<u>(39,221,697)</u>
Net cash used by operating activities		
Cash flows from noncapital financing activities:		
State appropriations	82,190,555	79,029,650
Nonoperating grants and contracts	10,697,170	9,646,286
Payment to the Commonwealth	(2,890,082)	(2,934,120)
Loans issued to students and employees	(3,625)	-
Collections of loans from students and employees	3,520	-
Gifts and grants for other than capital purposes	847,606	1,120,688
Agency receipts	104,997,405	107,993,154
Agency payments	(103,188,980)	(106,528,733)
	<u>92,653,569</u>	<u>88,326,925</u>
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Capital appropriations and contributions	51,138,411	54,304,798
Proceeds from capital debt	49,979,361	17,890,329
Proceeds from sale of capital assets	53,430	54,834
Purchase of capital assets	(83,850,792)	(89,886,473)
Principal paid on capital debt, leases, and installments	(11,574,326)	(12,958,024)
Interest paid on capital debt, leases, and installments	(9,202,141)	(9,722,096)
	<u>(3,456,057)</u>	<u>(40,316,632)</u>
Net cash used by capital financing activities		
Cash flows from investing activities:		
Interest on investments	98,060	96,394
Interest on cash management pools	1,134,477	1,610,114
	<u>1,232,537</u>	<u>1,706,508</u>
Net cash provided by investing activities		
Net increase in cash	51,741,980	10,495,104
Cash and cash equivalents - beginning of the year	<u>124,082,449</u>	<u>113,587,345</u>
Cash and cash equivalents - end of the year	<u>\$ 175,824,429</u>	<u>\$ 124,082,449</u>

JAMES MADISON UNIVERSITY
STATEMENT OF CASH FLOWS

For the year ended June 30, 2014 (with comparative information for the year ended June 30, 2013)

	2014	2013
RECONCILIATION OF NET OPERATING LOSS TO NET CASH		
USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (76,926,240)	\$ (66,833,410)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	35,036,678	33,905,352
Changes in assets and liabilities:		
Receivables, net	619,831	23,779
Due from the Commonwealth	177,302	(15,404)
Prepaid expenses	1,773,297	(4,637,696)
Inventory	60,151	6,371
Notes receivable, net	(8,113)	32,197
Accounts payable and accrued expenses	1,323,289	495,940
Unearned revenue	(1,092,650)	(1,845,028)
Accrued compensated absences	602,752	(194,821)
Accrued retirement plan	(247,929)	(141,210)
Federal loan programs contributions refundable	(6,437)	(17,767)
Net cash used by operating activities	<u>\$ (38,688,069)</u>	<u>\$ (39,221,697)</u>
NON-CASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL		
AND RELATED FINANCING TRANSACTIONS:		
Gift of capital assets	\$ 104,435	\$ 156,507
Amortization of bond premium/discount and gain/loss		
on debt refinancing	\$ (767,451)	\$ (1,108,427)
Capitalization of interest revenue and expense, net	\$ (413,863)	\$ (910,317)
Change in fair value of investments recognized as a component		
of interest income	\$ 68,623	\$ (1,877)
Loss on disposal of capital assets	\$ (1,354,212)	\$ (13,707,420)

The accompanying Notes to Financial Statements are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

JAMES MADISON UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The University is a comprehensive university that is part of the Commonwealth's statewide system of public higher education. The University's Board of Visitors, appointed by the Governor, is responsible for overseeing governance of the University. A separate report is prepared for the Commonwealth, which includes all agencies, higher education institutions, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth and is included in the basic financial statements of the Commonwealth.

In accordance with Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, the James Madison University Foundation, Inc. is included as a component unit of the University. The Foundation is a legally separate, tax-exempt organization formed to promote the achievements and further the aims and purposes of the University. The Foundation accomplishes its purposes through fundraising and funds management efforts that benefit the University and its programs. The 20-member board of the Foundation is self-perpetuating and consists of friends and supporters of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the financial statements.

During the year ended June 30, 2014, the Foundation distributed \$5,330,657 to the University for both restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained by writing the Chief Financial Officer, JMU Foundation, Inc., MSC 8501, Harrisonburg, Virginia 22807.

B. Financial Statement Presentation

The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*.

GASB Statements 34 and 35 standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. Under this guidance, the University is required to include a management's discussion and analysis (MD&A), basic financial statements, and notes to the financial statements.

Several GASB statements of standards became effective during fiscal year 2014; however, only one had an effect on the University's financial statement presentation: GASB 65 *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously recorded as assets and liabilities. Additional information is found in Note 9 of the Notes to Financial Statements.

The Foundation is a private, non-profit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

C. Basis of Accounting

The University follows GASB Statement 34 requirements for reporting by special-purpose governments engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

D. Cash Equivalents and Investments

In accordance with GASB Statement 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

E. Capital Assets

Capital assets consisting of land, buildings, infrastructure, computer software and equipment are stated at cost at date of acquisition, or fair market value at date of donation for gifts. Library materials are valued using published average prices for library acquisitions. The University capitalizes construction costs that have a value or cost in excess of \$200,000 at the date of acquisition. Renovation costs are capitalized when expenses total more than \$200,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense.

Equipment is capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is more than two years. Computer software is capitalized when the unit acquisition or development costs are \$100,000 or greater and the estimated useful life is more

than two years. Expenses related to construction are capitalized at actual cost as they are incurred (construction-in-progress).

Construction period interest cost in excess of earning associated with related debt proceeds is capitalized as a component of the final asset. The University incurred and capitalized net interest expense related to the construction of capital assets totaling \$413,863 for this fiscal year.

Collections of works of art and historical treasures are capitalized at cost or fair market value at the date of donation. These collections are considered inexhaustible and therefore are not depreciated.

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	5-20 years
Computer software	5 years
Library material	5 years

F. Prepaid Expenses

The University has recorded certain expenses for future fiscal years that were paid in advance as of June 30, 2014. Payments of expenses that extend beyond fiscal year 2015 are classified as a non-current asset. Prepaid expenses consist primarily of the supplemental retirement obligation (see Note 10), information technology maintenance contracts, property leases, and insurance.

G. Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out method) or market and consist primarily of expendable supplies held for consumption.

H. Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital and other non-current assets are classified as non-current assets in the Statement of Net Position. Assets that will be used to liquidate current liabilities, including capital project liabilities that are expected to be paid within one year, are classified as current assets.

I. Unearned Revenue

Unearned revenue represents revenues collected but not earned as of June 30. This consists primarily of revenue for student tuition and certain auxiliary activities accrued in advance of the semester, and advance payments on grants and contracts.

J. Long-term Debt and Debt Issue Costs

Long-term debt on the Statement of Net Position is reported net of related discounts and premiums, which are amortized over the life of the debt. Debt issuance costs are expensed as non-operating expenses.

K. Accrued Compensated Absences

The amount of leave earned, but not taken by non-faculty salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects, as of June 30, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

L. Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, and federal work-study and Perkins loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, and the *Compliance Supplement*.

M. Net Position

GASB Statement 63 requires that the Statement of Net Position report the difference between assets, deferred outflows, liabilities and deferred inflows as net position, not net assets or fund balances. Net position is classified as net investment in capital assets, restricted, and unrestricted. "Net investment in capital assets" consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when constraints on the net asset/deferral use are either externally imposed by creditors, grantors, or contributors or imposed by law. Unrestricted net position consists of net assets/deferrals that do not meet the definitions above. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to use restricted resources first, then unrestricted resources as needed.

N. Revenue and Expense Classifications

Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship allowances; and (3) federal, state, and non-governmental grants and contracts.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement 9 and GASB Statement 34, such as state appropriations and investment and interest income. Federal Pell grant receipts are reported on the line item "non-operating grants and contracts" on the Statement of Revenues, Expenses, and Changes in Net Position. Pell grants are considered as non-operating because the University's administrative involvement with the grant requirements have the characteristics of a non-exchange transaction.

Non-operating expenses include interest on debt related to the purchase of capital assets, losses on the disposal of capital assets, and nongeneral fund transfer payments to the Commonwealth. All other expenses are classified as operating expenses.

O. Scholarship Discounts and Allowances

Student tuition and fees revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenue, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student's behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method proportionately calculates scholarship discounts and allowances on a University-wide basis by allocating cash payments to students, excluding payments for services, on the ratio of total aid to aid not considered to be third party aid.

N. Commonwealth Equipment and Capital Project Reimbursement Programs

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2014, funding has been provided to the University from three programs; general obligation bonds 9(b), and two programs (21st Century and Equipment Trust Fund) managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities.

The Statement of Net Position line item "Due from the Commonwealth" includes pending reimbursements at year-end from these programs, as further described in Note 4. The Statement of Revenue, Expenses, and Changes in Net Position line item "Capital appropriations and contributions" includes reimbursements during the year for the acquisition of equipment and facilities under these programs, as further described in Note 14.

O. Comparative Data

The University presents its financial information on a comparative basis. The basic financial statements include certain prior year summarized information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the prior year information should be read in conjunction with the University's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the university's cash, cash equivalents and investments as of June 30, 2014. The following risk disclosures are required by GASB Statement 40, *Deposit and Investment Risk Disclosures*:

- Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This statement requires the disclosure of the credit quality ratings on any investments subject to credit risk.
- Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government’s investment in a single issuer. This statement requires disclosure of investments with any one issuer with more than five percent of total investments. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- Interest Rate Risk – The risk that interest rate changes will adversely affect the fair value of an investment. This statement requires disclosure of maturities for any investments subject to interest rate risk. The University does not have an interest rate risk policy.
- Foreign Currency Risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had foreign deposits of \$4,056,578.29 in 2014.

A. Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Except for cash held in foreign banks, cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. These amounts are insured in accordance with the banking regulations of the respective countries where the funds are maintained. In accordance with the GASB Statement 9’s definition of cash and cash equivalents, cash represents cash with the Treasurer of Virginia, cash on hand, cash deposits, including certificates of deposits and temporary investments with original maturities of 90 days or less, and cash equivalents under the Commonwealth’s securities lending and state non-arbitrage programs.

B. Investments

The Board of Visitors established the University’s investment policy. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4517, et seq., Code of Virginia. Investments fall into two groups: short-term and long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year.

Cash and cash equivalents:	
Cash with the Treasurer of Virginia	\$ 114,762,359
Cash on hand and deposits with financial institutions (including money market and certificates of deposit)	23,916,139
Collateral held for securities lending	8,040,739
Cash equivalents with the Treasurer of Virginia	69,244
Cash equivalents with the Bank of New York	<u>37,076,687</u>
Total	<u><u>\$ 183,865,168</u></u>
Investments:	
Collateral held for securities lending (short-term)	260,332
Investments not with the Treasurer of Virginia	<u>2,111,959</u>
Total	<u><u>\$ 2,372,291</u></u>

For 2014, investments not with Treasurer of Virginia include \$598,224 in unrated mutual funds with maturity less than one year.

C. James Madison University Foundation Cash and Investments

The following information is provided with respect to the Foundation's cash and cash equivalents and investments at June 30, 2014. The Foundation considers cash in demand deposit accounts and short-term certificates of deposit to be cash equivalents. The balances in these accounts are subject to electronic transfer for investment purposes and at times exceed federally insured limits. However, the Foundation does not believe it is subject to any significant credit risk as a result of these deposits.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net position unless the income or loss is restricted by donor or law.

The Investment Committee of the Foundation's Board of Directors establishes the investment policies, objectives, and guidelines. The major portions of the investments are maintained in a portfolio managed by the Foundations' investment advisor, Monticello Associates. As prescribed by FASB ASC 820, investments are placed into one of three categories based on the inputs used in valuation techniques. As of June 30, 2014 the foundation held investments totaling \$47,358,676, \$11,593,687, and \$34,612,091 in category 1, 2, and 3, respectively. Life insurance policies are not categorized as to credit risk. The Foundation's investments by type of security are as follows:

	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 9,204,603	\$ 9,204,603
Common stock	10,562,997	8,061,580
Mutual funds	32,193,964	29,038,648
Hedge funds	41,168,458	40,000,033
Life insurance policies	434,432	-
Total	<u>\$ 93,564,454</u>	<u>\$ 86,304,864</u>

D. Securities Lending Transactions

GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*, establishes accounting and financial reporting standards for security lending transactions. In these transactions, governmental entities transfer securities to broker-dealers and other entities for collateral and simultaneously agree to return the collateral for the same securities in the future.

The investments under securities lending (reported as either “cash equivalents” or “short-term investments”) and the securities lending transactions reported on the financial statements represent the University’s allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. The Commonwealth’s policy is to record unrealized gains and losses in the General Fund in the Commonwealth’s basic financial statements. When gains and losses are realized, the actual gains and losses are recorded by the affected agencies. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide basis in the Commonwealth of Virginia’s CAFR.

3. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2014:

Student tuition and fees	\$ 2,011,627
Auxiliary enterprises	1,363,657
Federal, state, and non-governmental grants and contracts	2,851,126
Other activities	<u>356,031</u>
Total	6,582,441
Less: allowance for doubtful accounts	<u>598,752</u>
Net accounts receivable	<u>\$ 5,983,689</u>

The Foundation's contributions receivable consisted of the following at June 30, 2014:

Due in less than one year	\$ 1,164,133
Due between one and five years	1,296,864
Due in more than five years	482,971
Total	<u>2,943,968</u>
Less: present value discount (1% - 6%)	106,898
Less: allowance for doubtful accounts	71,441
Net contributions receivable	<u><u>\$ 2,765,629</u></u>

4. DUE FROM THE COMMONWEALTH

Due from the Commonwealth consisted of the following at June 30, 2014:

Treasury programs reimbursement due:	
Equipment Trust Fund	\$ 1,861,748
21st Century	4,500,955
Appropriations available - Financial Aid	1,800
Total	<u><u>\$ 6,364,503</u></u>

5. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the years ending June 30, 2014 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	\$ 75,108,710	\$ 2,835,618	\$ -	\$ 77,944,328
Inexhaustible artwork and historical treasures	2,085,969	69,950	-	2,155,919
Construction-in-progress	80,767,924	71,300,455	115,195,765	36,872,614
Total non-depreciable capital assets	<u>157,962,603</u>	<u>74,206,023</u>	<u>115,195,765</u>	<u>116,972,861</u>
Depreciable capital assets:				
Buildings	773,769,541	111,038,836	504,417	884,303,960
Infrastructure	76,372,987	3,454,261	-	79,827,248
Computer Software	10,775,307	883,623	19,940	11,638,990
Equipment	67,647,784	7,409,081	2,298,000	72,758,865
Other improvements	53,042,463	1,640,647	1,306,750	53,376,360
Library materials	49,670,322	2,609,342	416,327	51,863,337
Total depreciable capital assets	<u>1,031,278,404</u>	<u>127,035,790</u>	<u>4,545,434</u>	<u>1,153,768,760</u>
Less accumulated depreciation for:				
Buildings	214,945,849	19,519,360	102,950	234,362,259
Infrastructure	29,542,027	3,350,010	-	32,892,037
Computer Software	6,729,857	1,215,182	-	7,945,039
Equipment	37,486,419	5,412,687	1,839,633	41,059,473
Other Improvements	13,166,064	2,903,233	612,671	15,456,626
Library materials	42,409,213	2,636,206	416,326	44,629,093
Total accumulated depreciation	<u>344,279,429</u>	<u>35,036,678</u>	<u>2,971,580</u>	<u>376,344,527</u>
Depreciable capital assets, net	<u>686,998,975</u>	<u>91,999,112</u>	<u>1,573,854</u>	<u>777,424,233</u>
Total capital assets, net	<u>\$ 844,961,578</u>	<u>\$ 166,205,135</u>	<u>\$ 116,769,619</u>	<u>\$ 894,397,094</u>

The Foundation's net capital assets consist of \$5,009,619 in property and equipment, and \$100,591 in collections of historical artifacts for the year ending June 30, 2014.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2014:

Employee salaries, wages, and fringe benefits payable	\$ 28,098,228
Vendors and suppliers accounts payable	4,568,963
Capital projects accounts and retainage payable	10,066,446
Accrued interest payable on bond debt	2,627,904
Total accounts payable and accrued expenses	<u>\$ 45,361,541</u>

7. NON-CURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt (further described in Note 8), accrued supplemental retirement plan (further described in Note 10), and other non-current liabilities. A summary of changes in non-current liabilities for the years ending June 30, 2014 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Long-term debt:						
Revenue bonds	\$ 148,405,000	\$ -	\$ 7,350,000	\$ 141,055,000	\$ 7,505,000	\$ 133,550,000
General obligation bonds	62,280,294	52,581,562	10,727,222	104,134,634	5,376,257	98,758,377
Bond premium	13,339,573	4,229,939	964,276	16,605,236	1,243,191	15,362,045
Total long-term debt	224,024,867	56,811,501	19,041,498	261,794,870	14,124,448	247,670,422
Accrued retirement plan	4,012,526	1,824,516	2,072,445	3,764,597	-	3,764,597
Accrued compensated absences	4,764,078	2,991,367	2,388,614	5,366,831	2,836,890	2,529,941
Federal loan program contributions	2,334,633	-	6,437	2,328,196	-	2,328,196
Total long-term liabilities	\$ 235,136,104	\$ 61,627,384	\$ 23,508,994	\$ 273,254,494	\$ 16,961,338	\$ 256,293,156

8. LONG-TERM DEBT

The University has issued two categories of bonds pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(d) bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth, 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 issued 9(d) bonds directly through underwriters and 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.

Section 9(c) bonds are general obligation bonds issued by the Commonwealth on behalf of the University, which are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth.

Description	Interest Rates (%)	Maturity	2014
Revenue bonds:			
Dormitory, Series 2007B	4.00 – 4.50	2019	\$ 4,880,000
Parking, Series 2004B	4.00 – 5.00	2020	2,730,000
Parking, Series 2006A	3.00 – 5.00	2027	6,475,000
Student center, Series 2004B	4.00 – 5.00	2020	4,185,000
Recreation, Series, 2006A	3.00 – 5.00	2027	2,985,000
Property acquisition, Series 2007A	4.50 – 5.00	2028	8,385,000
Grace St. acquisition, Series 2010A	3.75 – 5.50	2031	7,790,000
Multipurpose Recreation Fields, Series 2009A	2.10– 5.00	2029	5,670,000
Softball/Baseball Complex, Series 2009A	2.10– 5.00	2029	5,455,000
Renov/Expand Athletics/Recreation 2009B	4.25 – 5.00	2030	23,885,000
Renov/Expand Athletics/Recreation 2010A	3.75 – 5.50	2031	8,635,000
Renov/Expand Bridgeforth Stadium 2009B	4.25 – 5.00	2030	37,435,000
RMH property acquisitions, Series 2010A	3.75 – 5.50	2031	6,930,000
Construct Student Health Ctr, 2012B	3.00 – 5.00	2033	10,380,000
Renovate West Wing RMH-Dining, 2012B	3.00 – 5.00	2033	5,235,000
Total revenue bonds			<u>\$141,055,000</u>
General obligation revenue bonds:			
Dormitory and dining hall:			
Series 2006B	4.00 – 5.00	2016	\$ 560,000
Series 2007B	4.00 – 5.00	2027	7,510,000
Series 2008B	5.00	2028	15,405,000
Series 2009C	3.00 – 4.00	2022	2,555,229
Series 2009D	5.00	2022	1,750,000
Series 2010A	2.00 – 5.00	2030	12,720,000
Series 2013B	4.00 – 5.00	2026	11,052,843
Series 2014A	2.00 – 5.00	2034	46,660,000
Series 2014B	2.00 – 5.00	2020	5,921,562
Total general obligation revenue bonds			<u>104,134,634</u>
Total bonds payable			<u><u>\$245,189,634</u></u>

Long-term debt as of June 30, 2014 matures as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 12,881,257	\$ 11,116,543
2016	14,293,314	10,295,850
2017	14,931,632	9,640,520
2018	14,153,427	8,924,452
2019	14,676,330	8,259,461
2020-2024	70,318,182	31,400,342
2025-2029	74,560,492	14,317,366
2030-2034	29,375,000	2,379,521
Total	<u>\$ 245,189,634</u>	<u>\$ 96,334,055</u>

The Foundation's long-term debt consists of \$2,297,778 outstanding at June 30, 2014, in notes payables to Bank of America at a fixed interest rate of 4.85%, and maturing through fiscal year 2029. The note is secured by a deed of trust on real estate acquired with the proceeds of the note.

9. DEFERRED INFLOW/OUTFLOW OF RESOURCES

A. Deferral on Debt Defeasance

In accordance with GASB Statement 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, as amended by GASB Statement 65 *Items Previously Reported as Assets and Liabilities*, for current refundings and advance refundings resulting in defeasance of debt, the difference between the new and old debt (accounting gain or loss) is deferred and amortized as a component of interest expense. For each of the current or advance refundings noted below, the accounting gain or loss is amortized to interest expense over the life of the new debt.

During 2014, the Treasury Board, on behalf of the University, issued \$5,921,562 of General Obligation Bonds, Series 2014B, with interest rates of 2.0 percent – 5.0 percent. The bonds, issued at a premium of \$620,735, were used to refund \$6,502,891 of outstanding General Obligation Bonds, Series 2004B with an interest rate of 4.0 percent – 5.0 percent. The advance refunding resulted in the recognition of a deferred accounting gain of \$164,902 in fiscal year 2014, which is being amortized to interest expense over the life of the new debt. The University in effect reduced its aggregate debt service obligation by \$745,551 over the next 6 years and obtained an economic gain (equal to the difference between the present values of the old and new debt service payments) of \$728,887, discounted at a rate of 2.446 percent.

For financial reporting purposes, the bonds designated above as being refunded are considered to be defeased and have been removed from the non-current liabilities line in the Statement of Net Position. Any related assets in escrow have similarly been excluded.

B. Long-term Debt Defeasance

In prior years, in accordance with GASB Statement 7, *Advance Refundings Resulting in the Defeasance of Debt*, the University excluded from its financial statements the assets in escrow and the Section 9(c) or 9(d) bonds payable that were defeased "in-substance." As of June 30, 2014, \$13,200,000 of the bonds outstanding were considered defeased.

10. SUPPLEMENTAL RETIREMENT PLAN

Effective January 1, 1997, the University established a Supplemental Retirement Plan for tenured faculty members. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 227 faculty members have elected to enroll in the plan. As of June 30, 2014, 75 participants remain, including 13 new participants who retired under this plan during fiscal year 2014. In order to satisfy IRS requirements, a trust fund has been established as means to make the payments to the plan participants. The University prepaid \$2,072,445 of the fiscal year 2015-plan contribution in 2014. The plan payment schedule is as follows:

Year Ending June 30,	Supplemental Plan Obligations
2015	\$ -
2016	1,492,994
2017	1,146,874
2018	767,917
2019	324,568
2020	32,244
Total	<u>\$ 3,764,597</u>

11. AUXILIARY ACTIVITIES

Auxiliary operating revenues and expenses consisted of the following for the year ended June 30, 2014. The University used auxiliary revenues and cash reserves to pay debt service and capitalized improvements of \$19,348,166 and \$32,613,370. Those amounts are not included in the auxiliary operating expenses below.

Revenues:

Room contracts, net of scholarship allowances of \$2,015,743	\$ 27,478,275
Food service contracts, net of scholarship allowances of \$2,756,834	37,592,178
Comprehensive fee, net of scholarship allowances of \$4,904,236	66,874,163
Food service commissions	10,291,741
Parking fees and fines	3,200,682
Other student fees and sales and services	16,746,237
Total auxiliary enterprises revenues	<u>\$ 162,183,276</u>

Expenses:	
Residential facilities	\$ 18,535,233
Dining operations	49,187,679
Athletics	27,710,761
Parking services	2,615,432
Health services	4,394,024
Student unions	5,387,040
Student recreation	5,209,515
Other auxiliary activities	10,941,900
Total auxiliary activities expenses	<u>\$ 123,981,584</u>

12. EXPENSES BY NATURAL CLASSIFICATIONS

The following table shows a classification of expenses for the year ended June 30, 2014, both by function as listed in the Statement of Revenues, Expenses, and Changes in Net Position and by natural classification, which is the basis for amounts shown in the Statement of Cash Flows.

	Compensation and Benefits	Services, Supplies and Utilities	Scholarships and Fellowships	Non-capitalized equipment, property and plant improvements	Depreciation	Total
Instruction	\$ 119,797,782	\$ 17,036,776	\$ -	\$ 3,524,247	\$ -	\$ 140,358,805
Research	3,054,974	1,672,539	-	115,357	-	4,842,870
Public service	8,314,518	4,539,650	-	220,105	-	13,074,273
Academic support	24,524,595	5,074,678	-	10,057,463	-	39,656,736
Student services	11,557,948	4,005,626	-	310,274	-	15,873,848
Institutional support	17,067,185	6,899,271	-	1,715,979	-	25,682,435
Operation and maintenance- plant	14,847,551	18,339,275	-	6,103,851	-	39,290,677
Depreciation	-	-	-	-	35,036,678	35,036,678
Student aid	-	-	9,759,658	-	-	9,759,658
Auxiliary activities	37,833,027	83,426,456	-	2,722,101	-	123,981,584
Total	<u>\$ 236,997,580</u>	<u>\$ 140,994,271</u>	<u>\$ 9,759,658</u>	<u>\$ 24,769,377</u>	<u>\$ 35,036,678</u>	<u>\$ 447,557,564</u>

13. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations that remain on the last day of the current year, ending June 30, 2014, shall be re-appropriated for expenditure in the first month of the next year, beginning on July 1, 2014, except as may be specifically provided otherwise by the General Assembly. The Governor may, at his discretion, unallot funds from the re-appropriated balances that relate to unexpended appropriations.

During the year ending June 30, 2014 the following adjustments were made to the University's original appropriations:

Original legislative appropriation:	
Educational and general programs	\$ 69,808,843
Student financial assistance	7,960,958
Supplemental adjustments:	
Central Fund appropriation transfers:	
Health insurance premium	2,956,243
Cost of salary increase and salary compression supplement	656,727
Changes in contribution rates for retirement and benefits	629,836
Other financial aid transfers	144,968
Other	32,213
Reversion to the General Fund of the Commonwealth	(862)
Adjusted appropriation	<u><u>\$ 82,188,926</u></u>

14. CAPITAL APPROPRIATIONS AND CONTRIBUTIONS

Following are the capital appropriations and contributions recognized by the University from the Commonwealth for the years ending June 30, 2014.

Treasury reimbursement programs:	
VCBA 21st Century	\$ 40,526,600
VCBA Equipment Trust Fund	1,861,748
General Obligation Bonds	22,976
Total capital appropriations and contributions	<u><u>\$ 42,411,324</u></u>

15. COMMITMENTS

At June 30, 2014, the University was a party to construction and other contracts totaling approximately \$185,115,409 of which \$126,017,446 has been incurred.

Under a contract between the Board of Visitors of the University and the City of Harrisonburg dated April 12, 1995, the University is committed to city services for steam and chilled water purchases and waste disposal. The city will bill the University for annual debt service for a new resource recovery facility and cost of delivered quantities of steam and chilled water. The contract will expire April 12, 2036. During the year ended June 30, 2014, such purchases totaled \$1,239,670.

The University is committed under various operating leases for equipment and space. In general, the equipment leases are for two-year term and the space leases are for three- to four-year terms with appropriate renewal options for each type of lease. In most cases, the University expects that in the normal course of business, these leases will be replaced by similar leases. Rental expense was approximately \$4,163,393 for the year ended June 30, 2014.

The University has, as of June 30, 2014, the following future minimum rental payments due under the above leases:

Year Ending June 30,	Operating Lease Obligation
2015	\$ 2,904,462
2016	2,822,199
2017	1,581,826
2018	623,061
2019	467,165
2020-2024	390
Total	<u><u>\$ 8,399,103</u></u>

16. RETIREMENT PLANS

a. Virginia Retirement System

Employees of the University are employees of the Commonwealth. Substantially all full-time classified salaried employees of the University participate in a defined benefit retirement plan administered by the Virginia Retirement System (VRS). VRS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for the Commonwealth and its political subdivisions.

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. Information relating to this plan is available at the statewide level only and can be found in the Commonwealth's *Comprehensive Annual Financial Report (CAFR)*. The Commonwealth, not the University, has the overall responsibility for contributions to this plan. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2014. The same report contains historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled \$7,730,485 for the year ended June 30, 2014.

b. Optional Retirement Plans

Full-time faculty and certain administrative staff participate in defined contribution plans, TIAA/CREF Insurance Companies and Fidelity Investments Tax-Exempt Services. These plans are fixed-contribution programs where the retirement benefits received are based upon employer and employee contributions, plus interest and dividends. Employees hired prior to July 1, 2010 (Plan 1) have an employer required contribution rate of 10.4 percent. Employees hired on or after July 1, 2010 (Plan 2) have an employer required contribution rate of 8.5 percent and an employee required contribution rate of 5 percent.

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under this plan were approximately \$6,538,719 for the year ended June 30, 2014. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$64,772,224 for fiscal year 2014.

c. Deferred Compensation Plan

Employees of the University are employees of the Commonwealth. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The University's expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, was approximately \$862,985 for the fiscal year 2014.

17. POST-EMPLOYMENT BENEFITS

The Commonwealth participates in the VRS-administered, statewide group life insurance program that provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service and participate in the state health plan. Information related to these plans is available at the statewide level in the CAFR.

18. GRANTS AND CONTRACTS CONTINGENCIES

The University has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University.

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2014, the University estimates that no material liabilities will result from such audits or questions.

19. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes

property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the CAFR.

20. FEDERAL DIRECT LENDING PROGRAM

The University participates in the Federal Direct Lending Program. Under this program, the University receives funds from the U.S. Department of Education for Stafford and Plus Parent Loan Programs and disburses these funds to eligible students. The funds can be applied to outstanding student account balances or refunded directly to the student.

These loan programs are treated as student payments with the University acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected on the Statement of Revenues, Expenses and Changes in Net Position. The activity is included in the noncapital financing section of the Statement of Cash Flows. For the fiscal year ended June 30, 2014, cash provided and used by the program totaled \$90,412,182.

21. SUBSEQUENT EVENTS

In November 2014, the University entered into a promissory note with the Virginia College Building Authority (VCBA) to participate in the Educational Facilities Revenue Bonds Series A, issued by the VCBA under its Pooled Bond Program. The total principal amount of these bonds is \$48,175,000. The University will use the proceeds to expand the University recreation facility. Payment on the notes will be made semi-annually, with an interest rate ranging from 2.0 to 5.0 percent. The final payment will be in fiscal year 2035.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 19, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
James Madison University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of James Madison University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit of the University, which is discussed in Note 1A. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit of the University, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component unit of the University that was audited by another auditor upon whose report we are relying was audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component unit of James Madison University as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Summarized Comparative Information

We have previously audited the University's 2013 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated June 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2015, on our consideration of James Madison University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.


AUDITOR OF PUBLIC ACCOUNTS

LDJ/alh

JAMES MADISON UNIVERSITY

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