

JAMES MADISON UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2011**

APA
**Auditor of
Public Accounts**
COMMONWEALTH OF VIRGINIA

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Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
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P.O. Box 1295
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December 12, 2012

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
And Review Commission

Linwood H. Rose
President, James Madison University

INDEPENDENT AUDITOR'S REPORT ON 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 3.2.4.16.1, for the year ended June 30, 2011. 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 audits 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 audits 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, 2011, 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. We compared each major revenue account to prior period amounts. We obtained and documented an understanding of all significant variances.
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.
11. 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 James Madison University Foundation, Incorporated, an affiliated organization, we noted no individual contribution which

constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs.

12. 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.
13. 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.
14. 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.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from broadcast, television, radio, and Internet rights. 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.
17. We obtained an understanding of the University's methodology for recording revenues from sport camps and inspected any sports camp contracts between the University and persons conducting sport camps or clinics during the reporting period. This amount was deemed to be immaterial for detailed testing.
18. Based on receipts as listed in the accounting records, we selected and tested collections by the Intercollegiate Athletics Programs. We compared and agreed the selected operating receipts to adequate supporting documentation. We found all reviewed amounts to be in agreement with supporting documentation, properly recorded in the accounting records, and deposited promptly and intact.

Expenses

19. 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.
20. 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 for one pay period or a bonus payment 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.

21. 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.
22. 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.
23. 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.
24. 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.
25. 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 supplies, equipment, travel, and other general operating expenses. 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 made 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

AWP/alh

SCHEDULE

JAMES MADISON UNIVERSITY ATHLETIC DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES
OF INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2011

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-program Specific	Total
Revenues:						
Ticket sales	\$ 826,886	\$ 129,817	\$ 53,088	\$ 21,088	\$ 74,325	\$ 1,105,204
Student fees	3,350,754	1,586,924	1,561,797	8,597,575	10,607,518	25,704,568
Guarantees	400,000	70,000	-	6,000	-	476,000
Contributions	8,205	420	600	175,530	1,498,495	1,683,250
NCAA/conference distributions including all tournament revenues	-	-	-	-	1,220,847	1,220,847
Program Sales, concessions, novelty sales and parking	4,022	-	-	-	-	4,022
Royalties, advertisements, and sponsorships	253,530	168,650	88,040	87,863	112,783	710,866
Other	-	-	6,370	-	45,951	52,321
Total operating revenues	4,843,397	1,955,811	1,709,895	8,888,056	13,559,919	30,957,078
Expenses:						
Athletics student aid	1,640,432	445,944	377,121	3,718,614	959,094	7,141,205
Guarantees	70,000	5,000	2,500	-	-	77,500
Coaching salaries, benefits, and bonuses	1,082,251	703,286	538,330	2,216,555	-	4,540,422
Support staff/administrative salaries, benefits, and bonuses	318,582	139,934	142,054	976	5,486,704	6,088,250
Severance payments	-	-	-	53,246	-	53,246
Recruiting	43,234	58,737	62,648	133,294	-	297,913
Team travel	248,604	184,711	191,898	988,422	-	1,613,635
Equipment, uniforms, and supplies	167,884	31,779	36,065	359,666	99,524	694,918
Game expenses	264,648	102,665	62,236	165,796	38,863	634,208
Fund-raising, marketing, and promotion	7,473	1,805	1,322	46,770	730,215	787,585
Direct facilities, maintenance, and rental	857,547	244,130	242,721	915,556	1,545,435	3,805,389
Spirit groups	-	-	-	-	510,186	510,186
Medical expenses and medical insurance	-	-	724	10	416,474	417,208
Membership and dues	29,960	850	923	7,526	58,411	97,670
Other	125,874	47,369	59,064	215,076	3,936,870	4,384,253
Total operating expenses	4,856,489	1,966,210	1,717,606	8,821,507	13,781,776	31,143,588
Excess (deficiency) of revenues over (under) expenses	<u>\$ (13,092)</u>	<u>\$ (10,399)</u>	<u>\$ (7,711)</u>	<u>\$ 66,549</u>	<u>\$ (221,857)</u>	<u>\$ (186,510)</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, 2011

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, 2011. 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 \$1,493,060 are included in the revenue as "contributions" and included in various operating expense lines. Foundation support of \$925,436 for capital project expenses is 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, 2011 is presented as follows:

Depreciable capital assets:	
Buildings and other improvements	\$74,902,732
Infrastructure	1,029,941
Equipment	<u>2,096,167</u>
Total depreciable capital assets	<u>78,028,840</u>
Less accumulated depreciation for:	
Buildings and other improvements	14,167,490
Infrastructure	326,399
Equipment	<u>1,453,682</u>
Total accumulated depreciation	<u>15,947,571</u>
Total capital assets, net	<u>\$62,081,269</u>

4. LONG-TERM DEBT

For debt related to the Intercollegiate Athletics 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, 2011</u>
Athletic Performance Center, Series 2003A	2.00 – 5.00	2014	\$ 655,000
Softball/Baseball Complex, Series 2009A	3.00 – 5.00	2029	6,205,000
Renovate/Expand Bridgeforth Stadium, Series 2009B	2.00 – 5.00	2030	<u>41,710,000</u>
Total			<u>\$48,570,000</u>

Long-term debt matures as follows:

<u>Series 2003A</u>	<u>Principal</u>	<u>Interest</u>
2012	205,000	27,625
2013	220,000	17,000
2014	<u>230,000</u>	<u>5,750</u>
Total	<u>\$ 655,000</u>	<u>\$ 50,375</u>

Series 2009A	<u>Principal</u>	<u>Interest</u>
2012	240,000	280,811
2013	250,000	269,361
2014	260,000	258,309
2015	265,000	248,600
2016	275,000	238,394
2017-2029	<u>4,915,000</u>	<u>1,712,259</u>
Total	<u>\$ 6,205,000</u>	<u>\$3,007,734</u>

Series 2009B	<u>Principal</u>	<u>Interest</u>
2012	1,365,000	2,015,263
2013	1,420,000	1,959,287
2014	1,490,000	1,886,538
2015	1,570,000	1,810,038
2016	1,650,000	1,729,537
2017-2030	<u>34,215,000</u>	<u>13,082,056</u>
Total	<u>\$41,710,000</u>	<u>\$22,482,719</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 2011, this charge to the athletics' department amounted to \$2,507,717 and is included in the "other" expense line. Other non-program specific expenses also include \$350,796 of expenses paid by the Foundation on behalf of the University's athletic program.

JAMES MADISON UNIVERSITY
Harrisonburg, Virginia

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