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UNIVERSITY OFFICIALS

May 21, 1999

The Honorable James S. Gilmore, III
Governor of Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit
and Review Commission

Dr. Linwood Rose
President, James Madison University

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

We have audited the financial statements of **James Madison University** as of and for the year ended June 30, 1998, and have issued our unqualified report thereon dated May 21, 1999. At the request of the President of the University, we have also applied certain agreed-upon procedures to the accounting records and system of internal accounting control of the James Madison University Intercollegiate Athletic Programs for the year ended June 30, 1998, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Constitution 6.2.3.1. This review to apply agreed-upon procedures was performed in accordance with 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.

**Schedule of Revenues and Expenditures of Intercollegiate
Athletic Programs - Agreed-Upon Substantive Procedures**

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (the Schedule) for the year ended June 30, 1998, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of worksheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. We applied certain analytical review techniques to the revenues and expenditures reported on the Schedule in order to determine the reasonableness of the reported amounts. These techniques included trend analyses and other tests using operating data and reviews of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the University for its intercollegiate programs that constituted more than ten percent of the contributions so received.

With respect to the above procedures “a” through “c,” we were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the Schedule. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the President of the University.

Internal Control Structure Policies and Procedures Related to Intercollegiate Athletic Programs - Agreed-Upon Procedures

The management of James Madison University is responsible for establishing and maintaining an internal control structure for its intercollegiate athletic programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. 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.
- e. We reviewed the internal control structure policies and procedures over cash receipts and disbursements, including payroll, for the intercollegiate athletic programs. We reviewed the relationship of specific systems of the internal control structure over intercollegiate athletic programs to the internal control structure reviewed in connection with the audit of the University’s financial statements. Our review also included those internal control structure policies and procedures unique to intercollegiate athletics which have not been reviewed in connection with the audit of the financial statements.

- f. We reviewed the University's procedures for monitoring booster group activities, including expenditures incurred by outside organizations for or in behalf of intercollegiate athletics. The University's President receives audits in accordance with the NCAA Financial Audit Guidelines from the James Madison University Foundation.

Agreed-upon procedures "d" through "f" applied to certain aspects of the University's internal control structure were more limited than would be necessary to express an opinion on the internal control structure of James Madison University in effect for the year ended June 30, 1998, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to the internal control structure over the intercollegiate athletic program activities administered by the University.

This report is intended solely for the use of the University and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

KKH:whb
whb:56

SCHEDULE

JAMES MADISON UNIVERSITY
SCHEDULE OF REVENUES AND EXPENDITURES
OF INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 1998

	Administrative and General	Football	Men's and Women's Basketball	Other Sports*	Total
Operating revenues:					
Ticket sales	\$ -	\$ 202,808	\$ 204,114	\$ 12,158	\$ 419,080
Game guarantees	-	100,000	50,000	-	150,000
Parking and postage	-	2,919	989	13	3,921
Private gifts (Note 2)	160,000	-	-	-	160,000
NCAA distributions	-	-	-	424,104	424,104
Facility rent	71,743	-	-	-	71,743
Total operating revenues	231,743	305,727	255,103	436,275	1,228,848
Operating expenditures:					
Coaches' salaries	-	384,286	410,026	872,232	1,666,544
Other salaries	1,587,765	47,288	94,500	61,639	1,791,192
Fringe benefits	345,886	92,589	109,189	199,866	747,529
Financial aid	269,719	772,623	382,184	1,382,907	2,807,432
Other administrative expenditures	1,220,289	176,920	105,473	176,124	1,678,806
Indirect costs - education and general	920,009	-	-	-	920,009
Insurance	50,266	-	-	-	50,266
Telephone	147,852	2,806	16,610	1,339	168,607
Travel:					
Team and recruiting	158,415	157,610	351,854	467,843	1,135,722
Convention	21,505	11,317	1,261	16,098	50,181
Game guarantees	-	75,000	49,900	-	124,900
Maintenance	655,909	1,534	7,646	318	665,408
Equipment purchases	16,633	1,936	4,637	1,269	24,476
Debt service	901,915	-	-	-	901,915
Capital Improvements	166,535	-	-	-	166,535
Total operating expenditures	6,462,697	1,723,909	1,533,279	3,179,635	12,899,521
Deficiency of revenues under expenditures	(6,230,953)	(1,418,182)	(1,278,176)	(2,743,360)	(11,670,673)
Allocation of student fees	11,287,331	-	-	-	11,287,331
Net increase (decrease) for the year	\$ 5,056,378	\$ (1,418,182)	\$ (1,278,176)	\$ (2,743,360)	\$ (383,342)

*Other sports include baseball, golf, soccer, lacrosse, track, cross country, swimming, tennis, wrestling, field hockey, archery, gymnastics, fencing, and volleyball.

The accompanying Notes to the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs are an integral part of this schedule.

JAMES MADISON UNIVERSITY

NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES

OF INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 1998

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of this Schedule is to present a summary of current funds revenues and expenditures of the University's intercollegiate athletic programs for the year ended June 30, 1998. The Schedule includes only those intercollegiate athletics revenues and expenditures under the direct accounting control of the University. Because the Schedule presents only a selected portion of the University's activities, it is not intended to and does not present either the financial position, changes in fund balances, or current funds revenues and other additions, expenditures, transfers, and other deductions for the year then ended. Revenues and expenditures directly identifiable with each category of sport presented are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Administrative and General."

2. AFFILIATED FOUNDATION

The Schedule does not include transactions of the James Madison University Foundation, Inc. This Foundation was organized for fund-raising activities that support the welfare, efficiency and general objectives of the University. The Foundation gave the University \$160,000 for athletic scholarships during the fiscal year ended June 30, 1998.

JAMES MADISON UNIVERSITY
Harrisonburg, Virginia

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