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REGENT UNIVERSITY AND AFFILIATED ORGANIZATIONS

Consolidated Financial Statements
and Supplemental Schedules

June 30, 2014 and 2013

(With Independent Auditors' Reports Thereon)

KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

The Board of Trustees
Regent University:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Regent University and Affiliated Organizations (Regent), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 presentation of the consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Regent University and Affiliated Organizations as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 on our consideration of Regent'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 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 Regent's internal control over financial reporting and compliance.

KPMG LLP

Norfolk, Virginia
October 24, 2014

REGENT UNIVERSITY AND
AFFILIATED ORGANIZATIONS

Consolidated Statements of Financial Position

June 30, 2014 and 2013

(Dollars in thousands)

Assets		**2014**	**2013**
Current assets:			
Cash and cash equivalents	$	5,034	3,210
Investments (notes 3 and 4)		2,520	3,186
Accounts and loans receivable, less allowance for doubtful accounts of $3,007 in 2014 and $2,707 in 2013		1,311	1,509
Contributions receivable, net (note 2)		154	450
Accrued investment income		31	375
Inventories		407	418
Prepaid expenses and other assets		1,743	1,592
Total current assets		11,200	10,740
Contributions receivable, net (note 2)		84	137
Investments (notes 3, 4 and 9)		153,445	165,691
Assets whose use is limited (notes 3, 4 and 7)		8,971	9,114
Property, plant and equipment, net (notes 6 and 7)		135,229	130,111
Total assets	$	308,929	315,793
Liabilities and Net Assets			
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	$	12,090	10,969
Deferred revenue		817	686
Current portion of bonds payable (note 7)		560	535
Total current liabilities		13,467	12,190
Bonds payable (note 7)		87,109	87,686
Line-of-credit facility (note 9)		33,976	33,975
Other long-term liabilities		387	387
Total liabilities		134,939	134,238
Net assets:			
Unrestricted:			
Available for operations		100,216	116,180
Invested in property, plant and equipment		48,354	40,794
Total unrestricted net assets		148,570	156,974
Temporarily restricted (note 12)		4,404	4,053
Permanently restricted (note 13)		21,016	20,528
Total net assets		173,990	181,555
Total liabilities and net assets	$	308,929	315,793

See accompanying notes to consolidated financial statements.

REGENT UNIVERSITY AND
AFFILIATED ORGANIZATIONS

Consolidated Statements of Activities

Years ended June 30, 2014 and 2013

(Dollars in thousands)

	2014				2013			
	Unrestricted net assets	**Temporarily restricted net assets**	**Permanently restricted net assets**	**Total**	**Unrestricted net assets**	**Temporarily restricted net assets**	**Permanently restricted net assets**	**Total**
Operating revenues and other support (note 7):								
Tuition and fees:								
Gross tuition and fees	$ 77,629	—	—	77,629	78,288	—	—	78,288
Institutional scholarships	(17,716)	—	—	(17,716)	(17,813)	—	—	(17,813)
Tuition and fees, net	59,913	—	—	59,913	60,475	—	—	60,475
Gifts and grants	328	1,693	162	2,183	447	2,557	299	3,303
Investment return designated for operations	8,700	—	—	8,700	9,800	—	—	9,800
Auxiliary services	5,123	—	—	5,123	5,334	—	—	5,334
Other sources	1,154	557	—	1,711	1,101	525	73	1,699
Hospitality revenue (note 11)	9,428	—	—	9,428	8,116	—	—	8,116
Oil and gas revenue	1,318	—	—	1,318	319	—	—	319
Net assets released from restrictions (note 14)	2,871	(2,871)	—	—	2,979	(2,979)	—	—
Total operating revenues and other support	88,835	(621)	162	88,376	88,571	103	372	89,046
Operating expenses (note 7, 8, 9, 10 and 11):								
Program services:								
Instruction	34,029	—	—	34,029	35,780	—	—	35,780
Research and public services	971	—	—	971	1,008	—	—	1,008
Student services	22,195	—	—	22,195	18,557	—	—	18,557
Auxiliary services	4,893	—	—	4,893	4,832	—	—	4,832
Hospitality services	6,972	—	—	6,972	6,101	—	—	6,101
Oil and gas expenses	2,553	—	—	2,553	1,652	—	—	1,652
Total program services	71,613	—	—	71,613	67,930	—	—	67,930
Supporting services:								
Academic support	9,269	—	—	9,269	9,977	—	—	9,977
Fundraising	3,397	—	—	3,397	3,318	—	—	3,318
Institutional support	10,561	—	—	10,561	9,948	—	—	9,948
Hospitality support	5,442	—	—	5,442	5,093	—	—	5,093
Total supporting services	28,669	—	—	28,669	28,336	—	—	28,336
Total operating expenses	100,282	—	—	100,282	96,266	—	—	96,266
Income (loss) from operations	(11,447)	(621)	162	(11,906)	(7,695)	103	372	(7,220)
Investment income, net (note 3)	1,547	461	2,220	4,228	5,666	390	415	6,471
Realized and unrealized gains (losses) on investments, net (note 3)	10,196	511	(1,894)	8,813	8,553	470	166	9,189
Investment return designated for operations	(8,700)			(8,700)	(9,800)	—	—	(9,800)
Net assets released from restrictions for capital expenditures (note 14)	—	—	—	—	7,439	(7,439)	—	—
Losses on uncollectible contributions receivable	—	—	—	—	—	—	(10)	(10)
Changes in net assets	(8,404)	351	488	(7,565)	4,163	(6,476)	943	(1,370)
Net assets at beginning of year	156,974	4,053	20,528	181,555	152,811	10,529	19,585	182,925
Net assets at end of year	$ 148,570	4,404	21,016	173,990	156,974	4,053	20,528	181,555

See accompanying notes to consolidated financial statements.

REGENT UNIVERSITY AND
AFFILIATED ORGANIZATIONS

Consolidated Statements of Cash Flows

Years ended June 30, 2014 and 2013

(Dollars in thousands)

		2014	2013
Cash flows from operating activities:			
Changes in net assets	$	(7,565)	(1,370)
Adjustments to reconcile changes in net assets to net cash used in operating activities:			
Depreciation and amortization		5,837	5,602
Gain on uncollectible or recovered contributions receivable		(28)	(206)
Bad debt expense		300	874
Realized and unrealized gains on sales of investments, net		(8,813)	(9,189)
Payments on gift annuities		6	6
Permanently restricted contributions and investment income		(162)	(299)
Changes in assets and liabilities:			
Accounts and loans receivable		(102)	43
Contributions receivable		377	1,573
Accrued investment income		344	(321)
Inventories		11	11
Prepaid expenses and other assets		(151)	(255)
Accounts payable and accrued expenses		1,121	(127)
Deferred revenue		131	(3)
Net cash used in operating activities		(8,694)	(3,661)
Cash flows from investing activities:			
Purchases of property, plant and equipment		(10,972)	(17,126)
Purchases of investments		(42,091)	(69,316)
Proceeds from sales of investments		63,816	91,761
Decrease (increase) in assets whose use is limited		143	(71)
Net cash provided by investing activities		10,896	5,248
Cash flows from financing activities:			
Principal payments on bonds payable		(535)	(505)
Net change on line of credit facility		1	1,732
Increase in other long-term liabilities		—	133
Principal payment on capital lease obligation		—	(179)
Payments on gift annuities		(6)	(6)
Permanently restricted contributions and investment income		162	299
Net cash (used in) provided by financing activities		(378)	1,474
Net increase in cash and cash equivalents		1,824	3,061
Cash and cash equivalents at beginning of year		3,210	149
Cash and cash equivalents at end of year	$	5,034	3,210
Supplemental disclosure of cash flow information:			
Cash paid for interest	$	4,511	4,765

See accompanying notes to consolidated financial statements.

(1) Summary of Operations and Significant Accounting Policies

Regent University (the University) is a nonstock, nonprofit educational institution established in 1977. The University is accredited by the Southern Association of Colleges and Schools. Regent presently includes the School of Communication and the Arts, School of Psychology and Counseling, School of Divinity, School of Education, School of Government, School of Law, School of Global Leadership and Entrepreneurship, and the School of Undergraduate Studies.

The affairs of the University are governed by a Board of Trustees (Board). The election of individual trustees and the selection of the University's chairman of the Board are made by a majority vote of the directors of The Christian Broadcasting Network (CBN) (note 11).

On August 1, 2000, the University purchased The Founders Inn and Conference Center (the Conference Center) and various land parcels for expansion from CBN. In connection with the execution of the purchase, the University established two wholly owned subsidiaries, Founders Conference Center, LLC and Henrico, Inc. The assets of Henrico, Inc. primarily comprise the Conference Center land and buildings. In 2007 and 2013, respectively, Regent University Foundation and Frio Energy were established to serve as supporting organizations carrying certain investments of the University's endowment.

(a) Basis of Presentation

The consolidated financial statements include Regent University and its Affiliated Organizations (collectively, Regent) under common control. All significant intercompany transactions and accounts have been eliminated in consolidation. The consolidated financial statements of Regent have been prepared on the accrual basis of accounting.

These consolidated financial statements have been prepared to focus on Regent as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Regent's net assets are segregated into three net asset groups:

Unrestricted net assets – Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of Regent and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Regent. Generally, the donors of these assets permit Regent to use all, or part of, the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period the assets are acquired or placed in service.

(b) Cash Equivalents

Regent considers all highly liquid financial instruments purchased with original maturities of three months or less to be cash equivalents.

(c) Contributions Receivable

Contributions receivable to Regent are recognized as revenues in the period the unconditional promise to give is made by the donor. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are not recognized as contributions until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions received by Regent with donor-imposed temporary restrictions, which are met within the same reporting period, are reported as unrestricted revenue.

(d) Inventories

Inventories, which consist primarily of food, china, glassware, silverware, and linen stock, are valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

(e) Investments

Most investments are stated at fair value. In the case of certain less marketable investments, principally venture capital, private equity, hedge funds, and other alternative investments, Regent generally uses net asset value per share as provided by external investment managers without further adjustment as the practical expedient estimate of fair value. Accordingly, such carrying values could differ materially from values that would have been used had a ready market for the investments existed. The net asset values provided by investment managers are reviewed and evaluated by Regent personnel. Investments in notes receivable are stated at cost.

Regent’s investments include various types of investment securities and investment vehicles. These investments are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in estimated values will occur in the near term and that such changes could materially affect the amounts reported in Regent’s consolidated financial statements.

The net realized and unrealized gains and losses on investments are reflected in the accompanying consolidated statements of activities as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulation or law. Investment income is reported net of related investment expenses.

(f) Fair Value Measurement

Certain assets and liabilities are reported or disclosed at fair value in the consolidated financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, Regent uses various methods, including the market, income, and cost approaches. Regent uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. See note 4 for additional information with respect to fair value measurements.

(g) Financial Instruments

Contributions receivable is recognized initially at fair value as gifts and grants revenue in the period such unconditional promises to give are made by donors. Fair value is estimated, giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional gifts and grants revenue. The carrying amounts of Regent's accounts and loans receivable and accounts payable and accrued expenses approximated their fair values because of the terms and relatively short maturities of these financial instruments. The carrying amount of the line-of-credit facility approximated fair value due to its variable market interest rate. The estimated fair values, however, involve unobservable inputs considered to be Level 3 in the fair value hierarchy. The carrying amount of the investments and assets whose use is limited that are considered to be financial instruments approximates fair value. The fair value of the bonds payable at June 30, 2014 and 2013 was approximately $89,776 and $88,797, respectively. Fair value measurements of bonds payable are based on observable interest rates and maturity schedules that fall within Level 2 of the hierarchy of fair value inputs. Related fair value hierarchy is disclosed at note 4.

(h) Property, Plant, and Equipment

Property, plant, and equipment are stated at the cost of the asset acquired or at fair value at the date of donation in the case of gifts. Depreciation is computed under the straight-line method over estimated useful lives of 45 years for buildings and improvements, 5 to 10 years for furniture and equipment, 15 years for library books and materials, 3 to 7 years for computer hardware and software, and 7 years for automobiles. The cost of property sold or retired is removed from the accounts and any gain or loss is reflected in the accompanying consolidated statements of activities.

(i) Tuition and Fees and Auxiliary Services Revenue

Student tuition and fees and auxiliary services revenue are recognized as revenue during the fiscal year in which the related academic services are rendered. Student tuition and fees and auxiliary services revenue received in advance of services to be rendered are reported as deferred revenue in the consolidated statements of financial position. Student tuition and fees and auxiliary services revenue are recorded in the consolidated statements of activities net of student financial aid provided to the student by the University. Student financial aid is provided from earnings on restricted funds and certain board-designated endowments, along with gifts and grants dedicated to providing student financial aid.

(j) Hospitality Revenue

Hospitality revenue is generally recognized as Conference Center services are performed. Hospitality revenues primarily represent room rentals, food and beverage sales, parking, rent, telephone and other customer related revenues. Advance deposits received from customers of the Conference Center in advance of services to be rendered are reported as deferred revenue in the consolidated statements of financial position.

Regent is required to collect certain taxes and fees from customers on behalf of government agencies and remit these back to the applicable governmental agencies on a periodic basis. These taxes and fees are legal assessments on the customer which Regent has a legal obligation to act as a collection agent. Because Regent does not retain these taxes and fees, such amounts are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of activities.

(k) Income Taxes

The University has been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code (IRC). Henrico, Inc., a title holding company, has been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(2) of the IRC. Founders Conference Center, LLC, a single member limited liability corporation with the University as its sole member, is a disregarded entity (tax treatment is similar to that of a partnership) for federal and state income tax purposes. Regent University Foundation has been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the IRC. Frio Energy is a for-profit corporation that is subject to federal and state income tax. Regent does not believe its consolidated financial statements include any uncertain tax positions.

(l) Use of Estimates

The preparation of the consolidated financial statements, in accordance with U.S. generally accepted accounting principles, requires management of Regent to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the valuation of nonreadily marketable investments and the allowance for uncollectible accounts and loans receivable. Actual results could differ from those estimates.

(Continued)

(Dollar amounts in thousands)

(m) Functional Expenses

Regent allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

(n) Operating Measure

Operating revenues and expenses in the consolidated statements of activities reflect all transactions that change unrestricted net assets. This does not include endowment investment activity in excess of the amount designated for expenditure based on Regent's endowment spending policy and certain other nonrecurring items. Investment return designated for operations represents 5% of a five-year moving average of the endowment measured as of December 31 of each year.

(2) Contributions Receivable

Contributions receivable at June 30, 2014 and 2013 are expected to be received as follows:

	2014	2013
In less than one year	$ 229	450
From one to five years	135	291
Over five years	10	10
	374	751
Less discount to present value at a range (3.00% – 5.75%)	13	31
Less allowance for uncollectible amounts	123	133
	$ 238	587

(Dollar amounts in thousands)

(3) Investments and Assets Whose Use is Limited

Investments and assets whose use is limited at June 30, 2014 and 2013 consist of the following:

	2014		2013	
	Cost	**Carrying value**	**Cost**	**Carrying value**
Current:				
Cash and money market accounts	$ 2,520	2,520	3,186	3,186
Long-term:				
Common stock – domestic	24,141	33,093	24,563	32,915
Common stock – foreign	4,728	6,537	6,970	6,264
Emerging markets equities	5,268	5,586	5,652	8,872
Venture capital and private equities	26,684	29,441	29,507	34,466
Fixed income	23,661	25,563	23,295	25,015
Hedge funds, primarily overseas	10,158	14,910	14,638	17,212
Real estate	15,465	8,529	16,694	10,131
Commodities	6,670	6,080	7,060	7,319
Other investments	6,330	6,570	21,577	6,061
	123,105	136,309	149,956	148,255
Limited by terms of bond agreement:				
Cash and money market accounts	387	387	389	389
Fixed income	8,548	8,584	8,547	8,725
Total financial assets at fair value	134,560	147,800	162,078	160,555
Notes receivable	17,136	17,136	17,436	17,436
Total investments	$ 151,696	164,936	179,514	177,991

Net unrealized gains included in changes in net assets relating to assets held at June 30, 2014 and 2013 totaled $14,763 and $1,304, respectively.

Regent is invested in hedge funds that are primarily structured as overseas corporations. These corporations invest in domestic and international equities, corporate bonds, treasuries, and other similar securities utilizing long and short positions having a goal of enhanced overall return with reduced volatility. The risk to Regent is limited to the amount of Regent's investment in each of the funds.

Investment expenses netted against investment income on the accompanying consolidated statements of activities were approximately $341 and $345 for the years ended June 30, 2014 and 2013, respectively.

Venture capital and private equity amounts are predominately invested in limited partnerships. Capital redemptions from these investments are at the discretion of the partnership's general partner until their scheduled dissolution dates, which range from 2014 through 2018.

Regent has remaining capital commitments of $4,411 and $5,621 at June 30, 2014 and 2013, respectively, for certain venture capital and private equity investments.

In June 2014, Regent signed a letter of intent with a third party to sell certain of their alternative investments at the net asset value as of December 31, 2013, less a discount, adjusted for transactions occurring between December 31, 2013 and the sale date. The investments are reflected at this value of $20,106 on June 30, 2014. The sale was finalized on October 10, 2014. All investments sold are classified as level 3 and the related $3,114 of capital commitments need not be funded by Regent.

Assets whose use is limited by bond agreement are restricted for debt reserve funds.

(4) Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the consolidated statement of financial position are categorized based upon a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active market, as well as U.S. Treasury securities.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 2 assets and liabilities include debt securities that are infrequently traded. This category also includes certain U.S. government and agency mortgage-backed debt securities and emerging market securities. This category generally includes nonreadily marketable investments where Regent has the ability to redeem its investments with the investee at net asset value per share on a monthly or quarterly basis.

Level 3 – Inputs to the valuation methodology that are supported by little or no market activity are significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes venture capital, private equity, real estate, and other alternative investments where Regent does not have the ability to redeem its investment with the investee on a quarterly or more frequent basis.

(Dollar amounts in thousands)

The following tables present financial instruments that are measured at fair value on a recurring basis as of June 30, 2014 and 2013 by level within the fair value hierarchy:

	2014						
	Level 1	**Level 2**	**Level 3**	**Total**	**Redemption or liquidation**	**Days' notice**	
Current:							
Cash and money market accounts	$ 2,520	—	—	2,520	Daily	1	
Long term:							
Common stock – domestic	33,093	—	—	33,093	Daily	1 to 3	
Common stock – foreign	6,537	—	—	6,537	Daily	1 to 3	
Emerging markets equities	—	5,586	—	5,586	Daily/monthly	1/5	
Venture capital and private equities	—	—	29,441	29,441	Illiquid	N/A	(A)
Fixed income	—	25,563	—	25,563	Daily	1 to 5	
Hedge funds, primarily overseas	—	—	14,910	14,910	Quarterly/Illiquid	90	(B)
Real estate	—	—	8,529	8,529	Illiquid	N/A	(C)
Commodities	—	—	6,080	6,080	Illiquid	N/A	(C)
Other investments	—	—	6,570	6,570	Illiquid	N/A	(D)
	39,630	31,149	65,530	136,309			
Limited by terms of bond agreement:							
Cash and money market accounts	387	—	—	387	N/A	N/A	(E)
Fixed income	—	8,584	—	8,584	N/A	N/A	(E)
Total cash and investments	$ 42,537	39,733	65,530	147,800			

(A) These funds are expected to liquidate within 1 – 8 years. Unfunded future commitments aggregate to $2,160, with $930 related to investments being sold which need not be funded by Regent.

(B) Approximately $746 of the hedge fund total is related to hedge funds Regent is redeeming in full. These funds will become available as side pocket investments are liquidated. Approximately $14,164 of the hedge fund total is related to hedge funds that may be redeemed quarterly.

(C) These funds are expected to liquidate within 1 – 7 years. Unfunded future commitments aggregate to $2,251, with $2,184 related to investments being sold, which need not be funded by Regent.

(D) Other investments include a $5,400 investment in a private oil and gas venture.

(Dollar amounts in thousands)

(E) This represents the rebate fund and debt service reserve fund established as part of Regent's 2006 bond issue. The rebate fund is used to pay any tax rebates that may be due related to the bonds. The fixed income portion is invested in a guaranteed interest contract for the debt service reserve fund. The proceeds are available for principal and interest payments on bonds beginning in FY 2033.

	2013						
	Level 1	Level 2	Level 3	Total	Redemption or liquidation	Days' notice	
Current:							
Cash and money market accounts	$ 3,186	—	—	3,186	Daily	1	
Long term:							
Common stock – domestic	32,915	—	—	32,915	Daily	1 to 3	
Common stock – foreign	6,264	—	—	6,264	Daily	1 to 3	
Emerging markets equities	—	8,872	—	8,872	Daily/monthly	1/5	
Venture capital and private equities	—	—	34,466	— 34,466	Illiquid	N/A	(A)
Fixed income	—	25,015	—	25,015	Daily	1 to 5	
Hedge funds, primarily overseas	—	—	17,212	17,212	Monthly/quarterly /Illiquid	90	(B)
Real estate	—	—	10,131	10,131	Illiquid	N/A	(C)
Commodities	—	—	7,319	7,319	Illiquid	N/A	(C)
Other investments	—	—	6,061	6,061	Illiquid	N/A	(D)
	39,179	33,887	75,189	148,255			
Limited by terms of bond agreement:							
Cash and money market accounts	389	—	—	389	N/A	N/A	(E)
Fixed income	—	8,725	—	8,725	N/A	N/A	(E)
Total cash and investments	$ 42,754	42,612	75,189	160,555			

(A) These funds are expected to liquidate within 1 – 8 years. Unfunded future commitments aggregate to $2,402.

(B) Approximately $1,200 of the hedge fund total is related to hedge funds Regent is redeeming in full. These funds will become available as side pocket investments are liquidated. Approximately $4,104 and $11,908 of the hedge fund total is related to hedge funds that may be redeemed monthly and quarterly, respectively.

(C) These funds are expected to liquidate within 1 – 7 years. Unfunded future commitments aggregate to $3,219.

(D) Other investments include a $5,400 investment in a private oil and gas venture.

(Dollar amounts in thousands)

(E) This represents the rebate fund and debt service reserve fund established as part of Regent's 2006 bond issue. The rebate fund is used to pay any tax rebates that may be due related to the bonds. The fixed income portion is invested in a guaranteed interest contract for the debt service reserve fund. The proceeds are available for principal and interest payments on bonds beginning in FY 2033.

The following tables present changes in Level 3 financial instruments measured at fair value on a recurring basis for the years ended June 30, 2014 and 2013:

	2014					
	Venture capital and private equities	Hedge funds, primarily overseas	Real estate	Commodities	Other investments	Total
Beginning balance as of June 30, 2013	$ 34,466	17,212	10,131	7,319	6,061	75,189
Total gains or losses:						
Net realized gains (losses)	3,595	157	120	913	(15,803)	(11,018)
Net unrealized gains (losses)	(2,201)	2,177	(374)	(849)	15,756	14,509
Purchases	200	223	226	391	591	1,631
Sales	(6,619)	(4,859)	(1,574)	(1,694)	(35)	(14,781)
Ending balance as of June 30, 2014	$ 29,441	14,910	8,529	6,080	6,570	65,530

	2013					
	Venture capital and private equities	Hedge funds, primarily overseas	Real estate	Commodities	Other investments	Total
Beginning balance as of June 30, 2012	$ 38,278	10,659	9,019	7,583	6,106	71,645
Total gains or losses:						
Net realized gains (losses)	3,212	8	—	227	(3)	3,444
Net unrealized gains (losses)	(1,672)	1,846	416	594	(753)	431
Purchases	2,437	5,069	1,103	1,280	800	10,689
Sales	(7,789)	(370)	(407)	(2,365)	(89)	(11,020)
Ending balance as of June 30, 2013	$ 34,466	17,212	10,131	7,319	6,061	75,189

Regent's policy is to recognize transfers in and transfers out as the actual date of the event or change in circumstances that caused the transfer. There were no transfers between fair value levels for the years ended June 30, 2014 and 2013.

(5) Endowment Assets

Regent's endowment consists of approximately 116 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Dollar amounts in thousands)

(a) Interpretation of Relevant Law

Regent has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act of 2007 (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Regent classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Regent in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, Regent considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Regent and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Regent
7. The investment policies of Regent

Endowment assets consist of the following at June 30, 2014:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(18)	2,074	21,016	23,072
Board-designated endowment funds		126,540	—	—	126,540
Total endowment assets	$	126,522	2,074	21,016	149,612

(Dollar amounts in thousands)

Endowment assets consist of the following at June 30, 2013:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (36)	3,745	20,528	24,237
Board-designated endowment funds	132,333	—	—	132,333
Total endowment assets	$ 132,297	3,745	20,528	156,570

Changes in endowment assets for the year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment assets, June 30, 2013	$ 132,297	3,745	20,528	156,570
Investment return	10,725	887	326	11,938
Contributions	—	8	162	170
Endowment assets expended for operations	(15,451)	(2,566)	—	(18,017)
Endowment assets expended for capital expenditures	(1,049)	—	—	(1,049)
Endowment assets, June 30, 2014	$ 126,522	2,074	21,016	149,612

Changes in endowment assets for the year ended June 30, 2013 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment assets, June 30, 2012	$ 147,233	3,246	19,585	170,064
Investment return	10,564	499	581	11,644
Contributions	—	—	289	289
Other sources	—	—	73	73
Endowment assets expended for operations	(13,500)	—	—	(13,500)
Endowment assets expended for capital expenditures	(12,000)	—	—	(12,000)
Endowment assets, June 30, 2013	$ 132,297	3,745	20,528	156,570

(Continued)

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires Regent to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $18 and $36 as of June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

(c) Return Objectives and Risk Parameters

Regent has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity or for a donor-specified period as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the appropriate indices while assuming a moderate level of investment risk. Regent expects its endowment fund, over time, to provide a Board-approved average rate of return annually. Actual returns in any given year vary from that amount.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, Regent relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Regent targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

Regent has a policy of appropriating for distribution each year up to a Board-approved percentage of its funds based on the average five-year rolling market value. In establishing this policy, Regent considered the long-term expected return on its funds. Accordingly, over the long term, Regent expects the current spending policy to allow its endowment to grow annually. This is consistent with Regent's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

(Dollar amounts in thousands)

(6) Property, Plant and Equipment

Property, plant and equipment at June 30, 2014 and 2013 consist of the following:

		2014	2013
Land	$	13,100	13,100
Buildings and improvements		142,086	140,927
Furniture and equipment		29,411	27,787
Library books and materials		30,297	29,468
Computer hardware and software		14,561	14,377
Oil and gas properties		9,500	2,327
Automobiles		143	143
Construction in progress		1,178	1,175
		240,276	229,304
Less accumulated depreciation and amortization		105,047	99,193
	$	135,229	130,111

(7) Bonds Payable

Bonds payable at June 30, 2014 and 2013 consist of the following:

		2014	2013
Educational Facilities Revenue Bonds, 2006 Series, serial bonds with interest rates ranging from 4% to 5% due in annual installments of varying amounts each year, ranging from $535 in 2014 to a maximum of $9,040 in 2032 with a final maturity date of 2036. Regent has granted a security interest in the unrestricted Regent revenues as a security for the bond obligations	$	87,669	88,221

Aggregate annual maturities of bonds payable at June 30, 2014 are as follows:

2015	$	560
2016		590
2017		615
2018		650
2019		680
Thereafter		84,574
	$	87,669

(Dollar amounts in thousands)

On August 9, 2006, Regent issued bonds payable with a face amount of $99,105 and an original issue premium of $368 to finance construction of two student dormitories and refund the 2001 Series bonds. Principal and interest are paid semiannually on June 1 and December 1. During the years ended June 30, 2014 and 2013, the interest costs incurred related to long-term debt were approximately $4,195 and $4,041, respectively.

(8) Leases

Regent leases certain office equipment and office space under various noncancelable operating lease agreements that expire over the next three years. Future minimum lease payments are as follows:

Year ending June 30:		
2015	$	63
2016		38
2017		15
	$	116

Total rental expense for fiscal years 2014 and 2013 was $203 and $324, respectively.

(9) Line-of-Credit Facility

Regent maintains a $37,500 line-of-credit facility with JP Morgan, which is scheduled to expire on October 31, 2015. A portion of the managed investment portfolio of $71,762 has been pledged as collateral. Regent pays the one-month LIBOR market interest rate plus 1.02% per annum, which equated to 1.27% at June 30, 2014, on the outstanding balance. The outstanding balance under this line was $33,976 and $33,975 at June 30, 2014 and 2013, respectively, and the related interest expense was approximately $316 and $334, respectively.

Regent maintains a $2,500 discretionary line-of-credit facility with JP Morgan that is collateralized by the managed investment portfolio noted above. Regent pays the one-month LIBOR market interest rate plus 1.02% per annum, which equated to 1.27% at June 30, 2014. There was no outstanding balance under this line at June 30, 2014.

(10) Retirement Plan

Regent provides retirement benefits through a defined-contribution plan (the Plan) adopted pursuant to Section 403(b) of the IRC. Regular full-time employees are eligible to participate in the Plan. The Plan allows employees and Regent to make discretionary contributions. Regent's total contributions for the years ended June 30, 2014 and 2013 were $1,330 and $1,328, respectively, at 4% of eligible employees' base salaries.

(Dollar amounts in thousands)

(11) Related-Party Transactions

Regent was charged $3,256 and $3,400 during fiscal years 2014 and 2013, respectively, for various services performed by CBN. Three members of the University's Board are also members of the Board of Directors of CBN.

Founders Conference Center, LLC charged $350 and $540 during the fiscal years 2014 and 2013, respectively, to various related parties other than the University for use of its facilities, which is included in hospitality revenue in the accompanying consolidated statements of activities.

On August 25, 2010, Regent made a loan commitment of $6,000 to the Robertson Charitable Remainder Unitrust (the Trust). The loan is for a term of five years with interest paid monthly at an annual rate of 8%. A commitment fee of 0.5% per annum is paid monthly on the undrawn portion of the loan. The loan is secured by the assets of the Trust. Principal payments of $300 are required annually with the balance due at the end of the five-year note. At June 30, 2014 and 2013, the balance outstanding on the note was $4,276 and $4,576, respectively.

(12) Temporarily Restricted Net Assets

The amounts included as temporarily restricted net assets at June 30, 2014 and 2013 consist of the following:

		2014	2013
Building projects	$	246	—
Research and educational centers		901	646
Scholarships		1,647	1,118
Faculty chairs		257	399
Annuity funds		514	435
Student films and media		272	515
Public service		—	72
Other		567	868
	$	4,404	4,053

(Dollar amounts in thousands)

(13) Permanently Restricted Net Assets

The amounts included as permanently restricted net assets at June 30, 2014 and 2013 are to be held in perpetuity and the related income is to be used as follows:

		2014	2013
Scholarships	$	13,753	12,728
Endowed faculty chairs		2,667	3,546
Student films		1,364	1,365
Other		3,232	2,889
	$	21,016	20,528

(14) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Total net assets released were $2,871 and $2,979 for the years ended June 30, 2014 and 2013, respectively. Net assets released from donor restrictions for capital expenditures were $7,439 for the year ended June 30, 2013.

(15) Commitments and Contingencies

Regent is at times subject to litigation and other matters arising from the normal course of operations. Management does not believe that the results of these matters will have a materially adverse effect on Regent's consolidated financial condition.

Amounts received and expended by Regent under various federal and state programs are subject to audit by various federal and state agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of Regent.

(16) Subsequent Events

In connection with the preparation of the consolidated financial statements, Regent evaluated subsequent events after the consolidated statement of financial position date of June 30, 2014 through October 24, 2014, which was the date the audited consolidated financial statements were available to be issued.

REGENT UNIVERSITY AND
AFFILIATED ORGANIZATIONS

Consolidating Statements of Financial Position Information by Legal Entity

June 30, 2014

(Dollars in thousands)

Assets	Regent University	Founders Conf Ctr, LLC	Henrico Inc	Regent Foundation	Frio Energy	Eliminations	Consolidated totals
Current assets:							
Cash and cash equivalents	$ 3,292	171	1	—	1,570	—	5,034
Investments	2,504	—	—	16	—	—	2,520
Accounts and loans receivable, less allowance for doubtful accounts of $3,007	932	1,383	—	33	—	(1,037)	1,311
Contributions receivable, net	154	—	—	—	—	—	154
Accrued investment income	31	—	—	—	—	—	31
Inventories	37	370	—	—	—	—	407
Prepaid expenses and other assets	1,061	442	—	—	240	—	1,743
Total current assets	8,011	2,366	1	49	1,810	(1,037)	11,200
Contributions receivable, net	84	—	—	—	—	—	84
Investments	148,061	—	—	5,384	—	—	153,445
Assets whose use is limited	8,971	—	—	—	—	—	8,971
Property, plant and equipment, net	109,318	1,818	14,651	—	9,442	—	135,229
Total assets	$ 274,445	4,184	14,652	5,433	11,252	(1,037)	308,929
Liabilities and Net Assets							
Liabilities:							
Current liabilities:							
Accounts payable and accrued expenses	$ 9,411	1,618	939	—	1,159	(1,037)	12,090
Deferred income	—	817	—	—	—	—	817
Current portion of bond payable	560	—	—	—	—	—	560
Total current liabilities	9,971	2,435	939	—	1,159	(1,037)	13,467
Bonds payable	87,109	—	—	—	—	—	87,109
Line-of-credit facility	33,976	—	—	—	—	—	33,976
Other long-term liability	387	—	—	—	—	—	387
Total liabilities	131,443	2,435	939	—	1,159	(1,037)	134,939
Net assets:							
Unrestricted:							
Available for operations	96,064	(994)	(938)	5,433	651	—	100,216
Invested in property, plant and equipment	21,518	2,743	14,651	—	9,442	—	48,354
Total unrestricted net assets	117,582	1,749	13,713	5,433	10,093	—	148,570
Temporarily restricted	4,404	—	—	—	—	—	4,404
Permanently restricted	21,016	—	—	—	—	—	21,016
Total net assets	143,002	1,749	13,713	5,433	10,093	—	173,990
Total liabilities and net assets	$ 274,445	4,184	14,652	5,433	11,252	(1,037)	308,929

See accompanying independent auditors' report.

Schedule 2

REGENT UNIVERSITY AND
AFFILIATED ORGANIZATIONS

Consolidating Statements of Activities Information by Legal Entity

Year ended June 30, 2014

(Dollars in thousands)

	Regent University	Founders Conf Ctr, LLC	Henrico Inc	Regent Foundation	Frio Energy	Eliminations	Consolidated totals
Operating revenues and other support:							
Tuition and fees:							
Gross tuition and fees	$ 77,629	—	—	—	—	—	77,629
Institutional scholarships	(17,716)	—	—	—	—	—	(17,716)
Tuition and fees, net	59,913	—	—	—	—	—	59,913
Gifts and grants	2,183	—	—	—	—	—	2,183
Investment return designated for operations	8,700	—	—	—	—	—	8,700
Auxiliary services	5,123	—	—	—	—	—	5,123
Other sources	1,595	116	—	—	—	—	1,711
Hospitality revenue	—	9,992	1,100	—	—	(1,664)	9,428
Oil and gas revenue	—	—	—	—	1,318	—	1,318
Total operating revenues and other support	77,514	10,108	1,100	—	1,318	(1,664)	88,376
Operating expenses:							
Program services:							
Instruction	34,105	—	—	—	—	(76)	34,029
Research and public services	1,013	—	—	—	—	(42)	971
Student services	22,270	—	—	—	—	(75)	22,195
Auxiliary services	4,893	—	—	—	—	—	4,893
Hospitality services	—	6,972	—	—	—	—	6,972
Oil and gas expenses	—	—	—	—	2,553	—	2,553
Total program services	62,281	6,972	—	—	2,553	(193)	71,613
Supporting services:							
Academic support	9,306	—	—	—	—	(37)	9,269
Fundraising	3,634	—	—	—	—	(237)	3,397
Institutional support	10,658	—	—	—	—	(97)	10,561
Hospitality support	—	6,208	334	—	—	(1,100)	5,442
Total supporting services	23,598	6,208	334	—	—	(1,471)	28,669
Total operating expenses	85,879	13,180	334	—	2,553	(1,664)	100,282
Income (loss) from operations	(8,365)	(3,072)	766	—	(1,235)	—	(11,906)
Investment income, net	4,228	—	—	—	—	—	4,228
Realized and unrealized gains (losses) on investments, net	9,013	—	—	(200)	—	—	8,813
Investment return designated for operations	(8,700)	—	—	—	—	—	(8,700)
Changes in net assets	(3,824)	(3,072)	766	(200)	(1,235)	—	(7,565)
Net assets at beginning of year	159,366	1,042	14,047	5,433	1,667	—	181,555
Equity transfers	(12,540)	3,779	(1,100)	200	9,661	—	—
Net assets at end of year	$ 143,002	1,749	13,713	5,433	10,093	—	173,990

See accompanying independent auditors' report.

KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with *Government Auditing Standards*

The Board of Trustees
Regent University:

We have audited, 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, the consolidated financial statements of Regent University and Affiliated Organizations (Regent), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Regent's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Regent's internal control. Accordingly, we do not express an opinion on the effectiveness of Regent's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regent's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Regent's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regent's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Norfolk, Virginia
October 24, 2014