<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
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<tbody>
<tr>
<td>9:30-9:45</td>
<td>Approval of October 4, 2012 minutes</td>
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<tr>
<td>9:45-10:30</td>
<td>Discussion and Approval of Loyola University New Orleans Financial Statements for the year ended July 31, 2012</td>
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<tr>
<td>10:30-11:00</td>
<td>Industry Trends Discussion with Deloitte &amp; Touche, LLP</td>
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<td>11:00-11:30</td>
<td>Risk Assessment Summary Discussion</td>
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<td>11:30-11:45</td>
<td>Audit Committee Charter Discussion</td>
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<td>11:45-12:15</td>
<td>Other Business</td>
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<tr>
<td>12:15-12:40</td>
<td>Executive Session with Deloitte &amp; Touche, LLP</td>
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<td>12:40-1:00</td>
<td>Executive Session with the Internal Auditor</td>
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The meeting was called to order at 9:34 a.m. by John Simmons.

Mr. Simmons asked that all present give a short introduction. He also gave a “tree top” view of what’s expected of the Audit Committee members. Audit Committee process breaks down into three areas: financial audit process, internal audit process (Lynn Hoffman) and risk assessment. The risk assessment has fallen to a lot of Audit Committees in different organizations today. The university has cataloged our risks by department, by process and what our general controls are in place to evaluate and contain those risks. Debt agreements require financial audits and Loyola is into the bond business, so we definitely require audits for this, as well as not-for-profits. If a corporation files an IRS Form 990, which Loyola does, they are required to have an audit. Loyola also has grant audits, government audits, etc., so they are required to have audits for several different reasons. The function, as an Audit Committee, is to be involved with the external auditors, Deloitte & Touche (D&T). Responsibility is also in the selection process of the auditors each year and the management of that relationship. Once the audit is complete, the Audit Committee reviews their results/findings, if any, and accepts/rejects the final audit report. Internal auditor, Lynn Hoffman, assists the external auditors in preparing and getting through the audit. The committee can go over some of the past reports and review what was done and what we may need to repeat for the future. Adequacy of controls, compliance testing of controls and any process improvements, Ms. Hoffman can help if improvements are needed.
Mr. Mathes spoke regarding Form 990, 2-3 years ago the form was changed and there is a question that asks something like, “Does the Board of Trustees/governing body review Form 990?” Ms. Hoffman stated it is more of a recommendation to the Board of Trustees that the Audit Committee has reviewed and approved the Form 990.

**ACTION ITEM #1: Approval of April 12, 2012 Minutes.**
Mr. Simmons made a motion to approve the minutes of April 12, 2012. Dr. Faust made the motion, seconded by Ms. Angelico-Tatum, there was no opposition.

**ACTION ITEM #2: Approval of May 17, 2012 Minutes.**
Mr. Simmons made a motion to approve the minutes of April 12, 2012. Fr. Soukup made the motion, seconded by Ms. Angelico-Tatum, there was no opposition.

**Update Fiscal Year 2012 Year End Audit with Deloitte & Touche.**
At approximately 10:15 a.m., Mr. Simmons asked that the Deloitte & Touche auditors join the meeting. Upon their arrival, each D&T staff member gave introductions and what jobs they will be performing for the audit: Kristi Sharpe, Lead Client Service and Audit Partner; Elaine Reyes, Audit Senior Manager; Paul Rogers, Mid-America National Managing Partner; and Danny Durand, Gulf Coast Managing Partner, Audit Service.

Paul Rogers has been in the region for 3 years and is regional audit leader. He stated that there had been a breakdown in communication/mistakes previously between D&T and Loyola, but he assured the committee of their commitment to Loyola. They are here today to tell us this is very serious and they are dedicated to Loyola and this is an important relationship to him and D&T.

Danny Durand has been with the firm for 30 years and 17 years as a partner, and is a native of New Orleans. He stated that Loyola University and New Orleans are very important to D&T and they are here to stay. When you think of New Orleans, you think of Mardi Gras, Saints, Katrina, restaurants, Bourbon Street, etc., but also Loyola, Tulane, Ochsner and Entergy come to mind and they are all clients of D&T. Loyola is right there at the top it is a significant “brand” which is important to them and deeply appreciates the relationship. Since the last meeting with the Audit Committee, there is a new marketplace leader in their New Orleans office, Ed Tauriac. Mr. Tauriac has previously visited Loyola to introduce himself to Mr. Calamia and Mr. Mathes. He is a Loyola graduate and grew up in New Iberia. There are 6 Loyola graduates in their New Orleans office and 25 in the firm. Primarily, D&T recruits from Loyola, UNO, Tulane and LSU. They are here to stay, there at 6-7 partners (including Ed Tauriac) and approximately 90-100 professionals in the office, about half of these are in the audit practice. Mr. Durand asked the committee to go to page 3 of booklet D&T handed out, reviewed clients in New Orleans area (approx. 100).

This is Kristi Sharp’s first year as lead audit partner and lead client service partner for this engagement, she has been a partner for 4 years and also worked for Baylor College. Ms. Sharp stated D&T’s higher education practice goes back approximately 7 decades, and the relationship with Loyola precedes this. D&T has over 2000 seasoned professionals nationally that serve in their higher education area. D&T serves 6 of the 28 Jesuit universities. They
have the national presence, but are still very focused on their local staff and expertise in the higher education space. Though she is not based in New Orleans, half of her client base is here, so she spends approximately half her time between New Orleans and Houston. She directed the committee to page 6 of D&T booklet, engagement team flow chart. To further their commitment to Loyola, they brought on an additional Advisory Partner, George Scott. He has been with D&T for 30 years and leads their higher education mid-America space. She will be bringing him to an Audit Committee meeting. Ed Tauriac will be attending as well. Ross Johnson heads up Quality Control Reviewer and this is his fourth year serving the Loyola account, so he brings continuity.

Elaine Reyes stated she is from New Orleans and has worked with Loyola for 3 years and is a senior manager, she has been with D&T for 10 years. Derek Evans, Audit Senior, has been with the firm for 5 years and is based in the New Orleans office. He has a public/private background since he has worked with Tulane, Ochsner and St. Charles Parish. Peter Vernaci, Tax Director, has been with D&T for 15 years and has served Loyola for that same amount of time. Joe Farris, Tax Senior Manager, has worked for the firm for 7 years and has served Loyola that amount of time as well.

Mr. Rogers stated they understand their role they have to report to the Audit Committee, and they take that very seriously. Ms. Sharp added that quality is their number one priority.

Mr. Simmons stated that he would like to meet with Mr. George Scott over dinner, as well as, along with any other Audit Committee members, Mr. Calamia, Mr. Mathes, and Ms. Hoffman who would like to be in the dinner meeting also. Mr. Mathes stated that he would like for Ed Tauriac to be in attendance at dinner as well because he knows the nuts and bolts of Loyola’s audit. Ms. Sharp said this could definitely be arranged.

Ms. Sharp stated that as they move forward and look at Loyola’s financial statements and what their professional responsibility is, they will be rendering an opinion on the fairness of the presentation of the financial statements. Mr. Simmons asked Ms. Sharp to explain to the committee what materiality is since some of committee members are new. She stated that when performing an audit they utilize materiality, materiality is based on professional judgment, their assessment of the users of financials and what they believe to be material to those financial statements. If you had a $100M revenue line item, if there was an error in that that exceeded $10-$15M, that would deem to be a material mistake to the financial statement. Mr. Durand added that it also means what amount would influence your judgment relative to the financial statement. How tight do they have to be in their assessment of accounts before it would influence someone’s decision, that is the concept of materiality. This drives how much they have to test. Ms. Sharp noted they determine what the user of the financial statements would deem to be material, but that is not what they test at, they test at a level much lower than this number. From the scoping perspective, testing goes much more deep than what the users of the financial statements would deem to be. If mis-statements are found, Loyola is made aware. Mr. Durand said it is their job to evaluate what could go wrong and test for that because there are a multitude of things that can go wrong (i.e., mechanical, intentional, lack of valuing something correctly, etc.). But, they never expect to be more than $25-$50K off in their accounting, Mr. Calamia said this has never happened. Mr. Simmons stated it takes a lot of
time to evaluate those that are not publically traded like a stock and getting those values right.

Dr. Faust asked how D&T “grades” a client such as Loyola. Mr. Durand said they look at what is in the financial statements and audit report, it is pass/fail. So the users of the financial statements will receive something from them that says they are “not materially mis-stated” and that generally accepted accounting principles have been applied. Where the nuts and bolts come in relative to how good things are is really the fiduciary responsibility of the Audit Committee and D&T reporting to the committee. They interact with management throughout the audit process and evaluate how good the accounting records are, competence, management, etc., and assess things that are deficient or believe they could be deficient, this has to be communicated to the Audit Committee. Mr. Calamia said this is done annually, a letter is given to the Trustees and outlines any deficiencies that were noted. Mr. Durand noted there are different levels of deficiencies, some are normal, others are significant, and some could be material. Mr. Mathes spoke about internal controls for non-financial types, years ago, Loyola did not have a Bursars Office, Student Accounting Office kept records of what students owed/paid, but they also collected the money. That was a weakness, so these are now separate offices. The Bursars Office only collects payments and Student Finance does the billing as well as keep track of receivables, this is a strong internal control in place.

Ms. Sharp stated that part of the audit process is their obligation to understand what Loyola’s control environment is. They utilize that knowledge to drive what procedures are performed. No opinion is rendered on internal framework, but they utilize that knowledge. Because Loyola receives federal awards, they must audit from generally accepted auditing standards, but they also audit under generally accepted government auditing standards. Fr. Soukoup asked what the difference between generally and government auditing standards. Ms. Sharp noted there are some additional requirements for a governmental audit, it is an add-on. Since Loyola receives federal money, they render an opinion over compliance with the receipt of those federal awards. It also requires D&T to have additional training/requirements to be able to perform an audit, so everyone on the team has a base level of industry proficiency and government accounting/knowledge.

Ms. Sharp said that the audit process is a risk based audit approach which is partner led. They critically look at what could go wrong and identify the risks within the organization, and how the audit response will address those risks. The key audit areas are management override of controls, valuation of alternative investments, and allowance for doubtful accounts. Management override of controls is the ability for management to circumvent that control process, they have a requirement to look for fraud within the organization. They look at journal entries that are posted to the general ledger. Parameters are set for characteristics of audit interest, they would take the entire portfolio of journal entries, put it into a very sophisticated tool they have, and look for entries that would be characteristics of fraud. D&T looks at the controls associated with those journal entries, and what time/period they are occurring, etc. They review anything that goes from general ledger system to financial statements. Management goes through a process and evaluates allowance for doubtful accounts, they take gross amount and record an allowance towards that account (i.e., a student owes a balance of $1K, but can only pay $500). They are very critical when looking at management’s process and the underlying assumptions that feed those estimates. Mr. Rogers stated that historically
management has been very good at this.

Ms. Reyes spoke regarding valuation of alternative investments which is an area that you have an investment, but not readily determinable. Currently, there are two investments that are considered to be level 3, where there is no observable input to which to base fair value. From a testing perspective, they involve a valuation specialist within the firm to make sure they are testing appropriately and following procedures. They obtain the audited financial statements for these two investments, they test from December – July (Loyola's fiscal year ends in July) to make sure it is valued appropriately. They also look at the models being used to value them, and confirm the balances with third parties. Another procedure followed is to make sure the disclosures of the investments in the financial statements are appropriate and the valuation specialist also reviews. There is a new bond issuance, Loyola has gone through several bond offerings, so the accounting and recording is straightforward now, Mr. Mathes has this down to a science. There was a new bond offering in October. Ms. Sharp stated that as these funds are used from the bond offering, they will ensure that they are being used in accordance with original intent. Mr. Mathes stated that the controls over the spending of this money are to the max because Fr. Wildes is looking very closely at how it is spent.

Mr. Durand answered a question about fair value from an audit perspective, they would look to see how investor would price that in an open market or take what they would take for that liability, that is the methodology. Ms. Sharp noted that a lot of times they will benchmark the portfolio that is invested in with something that is actively traded and look at the trends.

Ms. Sharp talked about the single audit, A133. Ms. Reyes said the A133 audit is a schedule of expenditure of federal awards and is required of any entity that receives federal awards and has expenditures greater than $500K. The report is due 6 months after year end, typically it is filed in November. They obtain a listing of all expenditures of federal awards from the grants coordinator, from that listing they designate what is a Type A or B program. The threshold for a federal award to be designated a Type A program is if Loyola had $300K or more expenditures in that award, anything less goes into Type B. D&T has to determine which ones are low/high risk. Each grant will have a distinct set of compliance requirements. For a low risk auditee, 25% of Type A major programs must be tested. To be classified as low risk auditee means you would have been audited in the prior year and had no findings. Historically, Loyola has been a low risk auditee. Student Financial Aid is audited yearly, but there are a few that will exceed $300K that are also Type A and they are audited every 3 years. They look at the rotation to make sure they are accounting for all Type A programs that need to be audited every 3 years. At the end, 97% of total expenditures of federal awards are tested. Ms. Hoffman provides assistance and does the testing of the compliance requirements for the major programs once they are identified. They also re-perform a certain percentage of Ms. Hoffman’s work, this usually takes place in the summer. Each major program has its own independent materiality because the opinion rendered is compliant on each individually.

Ms. Reyes gave a brief update on where they are in the audit, they did planning in July, their IT partners came in to ensure they designed and implemented appropriately, but not a full blown controls testing. They had no significant findings, they indentified one improvement opportunity and was communicated in prior years as well, in relation to the back-up data, it is
stored close to the city, but there is a plan in place if a hurricane is approaching or some other threat it gets moved off-site.

Mr. Simmons asked if there is a check list or a report that would be available to them to review, so they can see what has been done and use as a basis so that nothing is duplicated. Mr. Durand said they could devise a test plan with results. Mr. Calamia reminded Mr. Simmons that approximately 2 years ago a separate entity came in and performed an audit of IT.

Ms. Reyes said they have been in the field since September 17 and hoped to have testing wrapped up by October 12, and then they will go into the review phases it will go through her and Ms. Sharp’s review, then to Mr. Johnson for quality control. The report draft should be complete by October 25, so it can be given to Ms. Hoffman prior to the next meeting November 8. Ms. Hoffman noted that all documents will be sent via Federal Express to all committee members and D&T 10 days prior to the meeting and they will be e-mailed as well.

Ms. Reyes noted that Appendix A: Recently Issued Accounting Pronouncements (page 14) is an excerpt involving investments, but they are still working with management to determine if this is applicable to Loyola.

Mr. Rogers spoke regarding peer review report performed on D&T (copy of letter was previously given to committee) and is required to be done once every 3 years through AICPA requirements. The rating received was passed with deficiencies and this was the year they were transitioning as a firm. In their response letter back they noted they emphasized their monitoring procedures, including internal inspections in response to this review. Mr. Durand noted that they actually audit them and their “grade” was pass with deficiencies. D&T passed, but a few things need to be cleaned up and this grade is different than the grade they give to Loyola.

**Internal Audit Plan Fiscal Year 2012-2013 Presentation.**

Ms. Hoffman stated this describes what her purpose is and function is basically to be independent, objective is to assist all the units of the university to be effective in their discharge of their responsibilities. Her authority comes directly from Board of Trustees and she has access to all information on campus. She reports directly to the Audit Committee/N. John Simmons and a dotted line to Kevin Wildes, S.J.. Her responsibilities are to ensure that controls in place are effective, they are working and nothing is slipping through the cracks. She keeps in close contact with Mr. Calamia and Mr. Mathes regarding compliance issues that may arise or D&T will let her know if something new for the future is imminent for higher education. In the past, she has reviewed what her predecessors have audited. Her planning for the follow year incorporated a risk assessment process. This risk assessment process includes a survey which has questions that are assigned a weighted average. This guides her to what needs to be audited. The areas have either never been audited or haven’t been audited in 5-10 years. She works closely with D&T and if they need any documents, etc., she helps with achieving this and also helps with testing. At the end of all audits, a report is
created and shared with the committee stating where they are in the process.

Ms. Hoffman reviewed her audit plan for 2012-2013. Her total hours, vacation/holidays excluded, will be 1,687.5 hours. She spends approximately 362.5 hours on financial audits. Gillis Long Poverty Law Center is a federally funded program that has been with the university since the 80’s, has its own year-end 12/31 audit from another outside auditor. She puts the financials together. The audit planning process takes approximately 3-5 days to put together, answer questions, etc. Risk assessment is done around January, answer surveys, inputs weighted average into a spreadsheet, and that is how she selects audits. In the beginning of survey, there are approximately 15 questions asking where the risk could be, etc., it is a subjective part of deciding which audits to select. This takes a few weeks to get everything back and input/review all information. To maintain her CIA standing she has to do 40 hours of training, and that is noted on the plan. Special projects are an estimate, the one performed last year took majority of the year, only once she hired a student was she able to finish last year’s plan, this is a moveable entity. Internal reviews takes approximately 787.5 hours, this year she has selected the following: Institutional Research, Parking Services, Study Abroad Program, Athletic Wellness (part of NAIA) Title 1 Compliance, and Government Relations. Mr. Simmons feels they should look through Loyola’s whole risk assessment process, with input from the university on what they think might need to be covered/done and get some consensus to come up with an intermediate “hit list.” The bookstore was a challenge last year, but it mainly involved cash. No further questions for the internal auditor.

**Other Business.**
There was no other business.

**Executive Session with Deloitte & Touche.**
The committee went into Executive Session with Deloitte & Touche.

**Executive Session with Internal Auditor.**
The committee went into Executive Session with Internal Auditor, Lynn Hoffman.