1. Approval of October 25, 2011 minutes  

2. Deloitte & Touche, LLP  
   Anticipated billing for 2011 - 2012 services  

3. Recommendation to appoint audit firm for Fiscal Year  
   ended July 31, 2012  

4. Audit plan progress  

5. Other Business  

6. Executive Session with the Internal Auditor  

**Note**(A) - Deloitte & Touche, LLP will provide a hand out for the anticipated billing for 2011 – 2012 at the meeting.  

**Note**(B) - Due to a schedule change with Deloitte & Touche, LLP, this item is deferred to a to be determined date.
MINUTES OF THE AUDIT COMMITTEE
OF THE BOARD OF TRUSTEES
October 25, 2011

PRESENT:  
Barry D. LeBlanc, Chair
Robert Gerlich, S.J.
Kevin Poorman, via teleconference
N. John Simmons, Jr., via teleconference

ABSENT:  
Anne Gauthier

INVITED:  
Lynn Hoffman, Internal Auditor, Executive Secretary (ex officio)
Jay Calamia
Leon Mathes
Gita Bolt
Elaine Reyes, Deloitte & Touche, LLP
Kathleen Zuniga, Deloitte & Touche, LLP
Anne Favrot, Recording Secretary

The meeting was called to order at 9:05 a.m.

ACTION ITEM #1: Approval of the September 8, 2011 Minutes.
Mr. LeBlanc made a motion to approve the minutes of September 8, 2011. Bob Gerlich made the motion, seconded by John Simmons, there was no opposition.

ACTION ITEM #2: Approval of Loyola University New Orleans Financial Statements for the year ended July 31, 2011.
Kathleen Zuniga, Deloitte & Touche, LLP introduced Elaine Reyes, stated that everyone had received the financials in advance and told everyone she would go through them, and she would answer any questions. Deloitte & Touche issues a long and short form audit report, the short form is the audit of the financial statements, and long form includes the audit of financial statements as well as A133 Audit Report. Therefore, two different opinions are issued since the short form is the audit performed in accordance with Generally Accepted Auditing Standards, and the long form includes the opinion on the Government Auditing Standards. The Independent Auditor’s Report (page 3) is the audit performed in accordance with Generally Accepted Auditing Standards and Government Auditing Standards. Deloitte & Touche are prepared to issue an unqualified opinion on these statements once all the appropriate approvals are in place. In the fourth paragraph, there is a change in the supplemental schedule, states it is located on page 18, but is actually on page 19, this is an additional schedule that is not required. This is the paragraph that refers to OMB A133 Audit that was subjected to auditing procedures. The last paragraph refers to other reports that were issued related to the A133 audit and related to their consideration of internal control over financial reporting and compliance over major programs. The independent auditor’s report is also included; it is short form, which would be attached to only the financial statement. The difference is the long form financials includes the A133 audit, and would be filed with the Federal Government, and short forms are for outside users. Statement of
Financial Position (page 2), there were no adjustments relative to financial statements. Total assets were $465M compared last year $447M, which is an $18M increase. Contributions receivable net were up $5M, which includes the donation for the Benson Jesuit Center, property and equipment increased approximately $26M, there were approximately $30M in additions related to underground pipe work/renovations. Investments decreased approximately $11M. Total liabilities were slightly down approximately $3M, from $92M to $89M. Reviewing net assets increased approximately $22M from last year, $8M in unrestricted and $13M in restricted and $1M in permanently restricted.

Statement of Activities (page 3) reflects tuition and fees revenue, there has been a 6% rate increase. Total revenue, $129M, compared to $113M from last year (from tuition and fees and Benson pledge). Total expenses $120M compared to $116M last year, the biggest chuck of this is instructional (i.e., grants). Increase/decrease net assets, unrestricted is a loss of $4.7M and this is where operations are focused. This shows temporarily restricted $13M and permanently restricted $985K to get net increase from operating activities in the positive total of approx. $9M. Total non-operating activities are in unrestricted only, which is approx. $12.5M, the biggest piece of this is investment return. Loyola has an increase in net assets overall across all categories of approximately $21.7M this year.

Cash Flow (page 5) reconciles changes in net assets and the ins and outs of cash flow from operating, investing, and financing activities. Investment activities (i.e., purchases of property and equipment) were the biggest pieces, approximately $31M.

New Accounting Pronouncements (page 8), the university adopted this practice early in 2011, it is not required to be adopted until next year, but the university is abiding by it now. Financing receivables (i.e., Perkins Loan, etc.) are at $4.3M. The Federal Government is trying to discontinue the Perkins Program, so we should see diminished activity in this area. Two-thirds of this goes to the Federal Government, so there is actually a corresponding liability on the financial statements.

Investments and Endowment funds – fair value measurements are in Level 1, Level 2, and Level 3. Approximately 87% of portfolio is in Level 1 investments, which are very easily valued. There are a few minor changes, which they circulated to the committee. Prior year, there is a change, there was a private equity fund that was classified as Level 2 approx. $3M, but should have been classified as a Level 3. What happened was it was purchased relatively close to year end and they felt they had evidence of fair value, but the audited financial statements for the private equity fund were not available yet so they were not privy to underlying investments. When they received the audit statements, they were all Level 3 investments. The rating agencies seem to favor the Level 1 investments positively as well. When you get into Level 3 private equity fund, you have to show activity within the fund as to whether it is purchases and sales within that private equity fund or if it is realized and unrealized gains and losses. There are also required disclosures at the bottom of page 11, whether you have any unfunded commitments or any future capital commitments to contribute to those funds. Page 12 (table) this reconciles investment income to the geography on the income statement as well as by type. The next couple of pages covers activity within endowment net assets,
these are not new disclosures.

Property Plant Equipment (page 15) we have covered the major additions occurring on-campus, no new significant changes to debt as of July 31, 2011. The litigation that was going on related to Katrina matters, have all been resolved, there are no outstanding lawsuits.

Page 17 reflects $125M bond issue disclosure.

Supplemental Schedules (page 19) details out designated and undesignated, this ties to unrestricted column, this is not a required supplemental schedule. Leon Mathes explained the purpose of this schedule is to show Board members the undesignated column corresponds to the operating budget approved by the Board of Trustees. Designated are gifts and plant fund expenditures, these do not flow through operating budget or undesignated. We cannot project designated gifts, when they will be received, cannot be budgeted.

Jay Calamia stated that Loyola has $25M in business interruption insurance, previously was $15M.

Schedule Expenditures of Federal Awards (page 20) OMBA133 Audit would center on federal expenditures. These are all the federal programs which the university expended federal dollars on this year. On page 22 states total expenditures and awards of about $63M. There are three pages of programs listed, but the biggest program is still Student Financial Aid. Within Student Financial Aid, Federal Direct Student Loans are at $52M, which is the biggest. This does not show up in financials because the money goes directly to the student, but Loyola is responsible for making sure the student is eligible to receive funds.

On page 23 there is a page of notes regarding CFDA. Next report we are required to issue on our consideration of internal control over financial reporting, as well as, compliance and other matters based on government auditing standards. There are two sections, the first one details internal controls over financial reporting, if there were any significant deficiencies or material weaknesses that were noted on financial statement audit, they would be required to be included here, but there were none.

Summary of Auditor's Report (page 28), states there were no significant deficiencies or material weaknesses found. Item 7 is required to detail out, what programs are, Student Financial Aid, all programs within this office are considered a cluster because they all have similar compliance requirements. Deloitte & Touche performed a sample spread across these programs and tested the ones that have similar compliance requirements or those that have additional compliance requirements. HRSA grant (Nursing grant) was tested this year. Leon Mathes asked Ms. Zuniga to review #9 and explain why Loyola qualifies as a low risk. She explained that Loyola is low risk because there have been no material weaknesses or compliance findings from past audits. Barry LeBlanc asked about the OMBA133 audit and Ms. Zuniga explained that if you receive or have federal expenditures in excess of $500K you must perform an OMBA133 audit (this is not a cumulative number).
John Simmons asked about page 8 where expenses are broken out, Plant Operations and Maintenance and asked why we had a $3M decrease from last year. Mr. Mathes explained that last year there was a lot of deferred maintenance that was expensed out of construction and progress, he previously sent out a detailed schedule of this, this year expenses are approx. $700K-$800K, which is a normal range as opposed to $3M prior year.

There was a handout distributed from Deloitte & Touche, they notified John Simmons that it is not in his packet. Elaine Reyes lists out the accounting estimates (page 2) that were noted during audit, there have been no changes to the estimates that they listed and discussed in prior years. There were no audit adjustments corrected or uncorrected, and no disagreements with management. Ms. Reyes complimented Mr. Mathes and his staff on doing a great job and getting them all the information needed. Discuss management representation (page 3) is a required letter received from management that is included in Appendix A. She highlighted the control related matters, there were no significant deficiencies or material weaknesses this year, but in Appendix B there was a control deficiency in IT, but has been resolved. One best practice, going forward, is to be more detailed/descriptive when items are disposed of. This is called SAS 114, Statement of Auditing Standard 114, is a required audit communication to the Audit Committee.

Fr. Gerlich in speaking about business interruption insurance still feels Loyola is not prepared if another catastrophic event occurs. Jay Calamia noted that no claim would be filed if classes continued on. Mr. Calamia also said that this process was tested approx. 3-4 months ago. He stated that Ed Kvet said there is a “button” to push and all classes will be online, this is coordinated by Bret Jacobs. The server is located in Chicago and evacuation is in Dallas. This has been tested as a mock disaster. The faculty has not been tested to have courses placed online. Fr. Gerlich said he cannot upload content when off campus, this is a concern he has for all faculty.

**AGENDA ITEM #3: Other Business.**
There being no other business to discuss the committee moved into executive session with Deloitte & Touche at 9:50 a.m.

**AGENDA ITEM #4: Executive Session with Deloitte & Touche, LLP.**
The committee moved into executive session with Internal Auditor.

**AGENDA ITEM #5: Executive Session with Internal Auditor.**