Objectives

• Understand the audit process

• Discuss audit results and financial results
  – Audit opinions
  – Financial statement results
  – Federal awards audit
  – SAS 112 (management letter)
  – SAS 114 (communication letter)

• Discuss items remaining for audit completion
Audit Process

• Performed audit using a risk-based audit approach

• New accounting pronouncements implemented
  – UPMIFA/FSP117-1— endowment accounting and classification
  – SFAS 157— fair value measurements

• New audit pronouncement delayed
  – SAS 115 – Communicating Internal Control Matters Identified in an Audit
Audit Opinions

• Financial statement audit opinion is unqualified

• Supplementary schedules – expanded balance sheet and statement of activities and change in net assets

• Federal awards audit opinions unqualified
Financial Statement Highlights

New Disclosures:

• New fair value disclosures – assets and liabilities impacted

• New endowment disclosures
  • College’s interpretation of law, investment and spending policies
  • $241 million reclassified from unrestricted to temporarily restricted net assets due to adoption of UPMIFA and FSP 117-1
Assets: Liabilities

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6.38</td>
</tr>
<tr>
<td>2006</td>
<td>5.00</td>
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<tr>
<td>2007</td>
<td>5.42</td>
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<tr>
<td>2008</td>
<td>7.85</td>
</tr>
<tr>
<td>2009</td>
<td>5.56</td>
</tr>
</tbody>
</table>
Expendable Net Assets: Total Expenses

Fiscal Year | Ratio
--- | ---
2005 | 4.17
2006 | 4.27
2007 | 4.98
2008 | 4.34
2009 | 1.40
Institutional Scholarships and Grants: Tuition and Fees

<table>
<thead>
<tr>
<th>Year</th>
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<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>32.9%</td>
<td>34.6%</td>
<td>34.7%</td>
<td>33.5%</td>
<td>35.0%</td>
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</tbody>
</table>
Net Tuition and Fees: Instruction Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
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<td></td>
<td>1.10</td>
<td>1.05</td>
<td>1.06</td>
<td>1.11</td>
<td>1.06</td>
</tr>
</tbody>
</table>
Expenses by Classification

- Auxiliary
- Fundraising & Ext. Relations
- Admin & General
- Educational
Federal Awards Audit

• Major programs tested in 2009; student financial aid cluster and research and development cluster
  – No findings identified related to compliance

• Financial Reporting
  – Significant deficiency noted in SAS 112 letter is included in schedule of findings and questioned costs (09-1)
SAS 112 and Management Letter

- No Material Weaknesses

- Significant Deficiency:
  - Audit adjustments

- Management Letter Comments:
  - Information technology
SAS 114 Communication Letter

- Two new significant accounting policies adopted—SFAS 157 (Fair Value Measurement) and FSP 117-1 (Endowment Accounting/Classification)

- Accounting estimates

- No significant difficulties encountered in performing audit

- Corrected and uncorrected misstatements
  - Two adjustments proposed and recorded by management
  - Two passed adjustments—immaterial to financial statements as a whole

- No disagreements with management
Concluding the Engagement

- Completion of alternative investments testing
- Completion of concurring principal review
- Signed representation letter
- Approval of Audit Committee
Questions and Feedback

• We welcome any questions pertaining to the audit, SAS 114 Communication Letter, SAS 112 Management Letter or other matters related to the engagement.

• We appreciate the opportunity to serve as the auditors for Carleton College and welcome any feedback relative to our performance.
Thank You!

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