

University of Minnesota

Audit Results and Communications
Report to the Audit Committee of the
Board of Regents

November 8, 2007

NOTICEABLY DIFFERENT

LarsonAllen
LLP
CPAs, Consultants & Advisors
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Agenda

I. Project Status

II. Audit Results and Required Communications

III. Financial Statement Highlights

Completed Projects

- University of Minnesota audit – unqualified opinion
- Office of Asset Management agreed upon procedures – no findings

Projects in Progress

- RUMINCO audit
- Federal & State compliance audits
- NCAA agreed upon procedures
- Student Organization's agreed upon procedures
- Northrop Auditorium audit
- Management letter

New Auditing Standards

- Statement of Auditing Standards (SAS) 103: Audit documentation
- Statement of Auditing Standards (SAS) 112: Reporting on internal controls

Required Communications

- Auditor responsibility
- Significant accounting policies
- Significant estimates
- Difficulties encountered in performing the audit

We received the full cooperation of management.

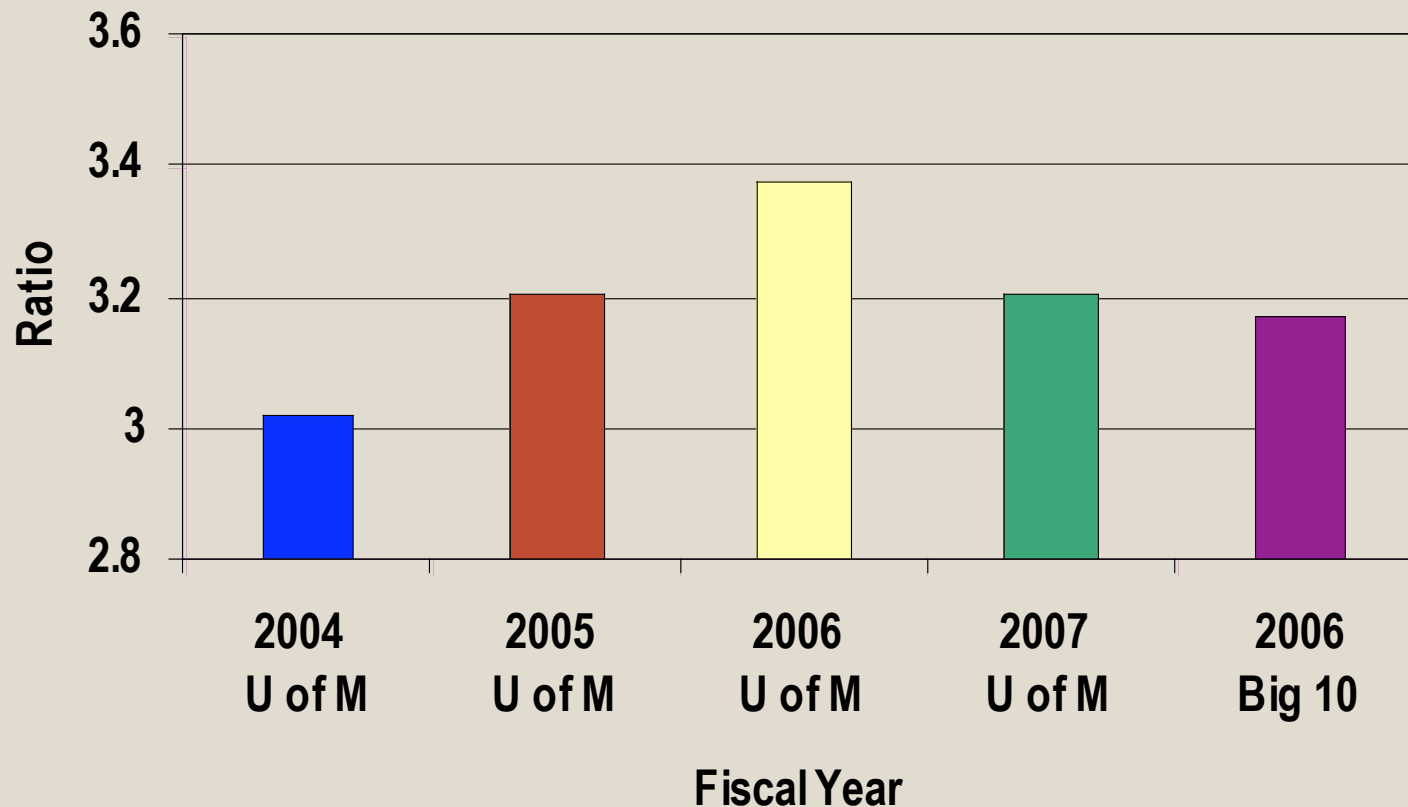
Required Communications (continued)

- Significant audit adjustments
 - Proposed and accepted
 - ◇ Construction project assets and liabilities – \$6.7 *million*
 - Proposed and passed
 - ◇ Cash reconciliation error corrected through reduction of cash and tuition revenue – impact \$3.6 *million*
 - Identified by management and passed
 - ◇ Accelerated revenue recognition for athletic event assured seating in fiscal year 2006 – impact \$1.3 *million*

Financial Statement Highlights

- Financial position is at a healthy level
- A considerable increase in net assets for 2007
- Supported by the following financial ratios
 - Total assets / Total liabilities
 - Expendable net assets / Total expenses
 - Trends of total revenues & Total expenses
 - Tuition revenue / Instruction expense

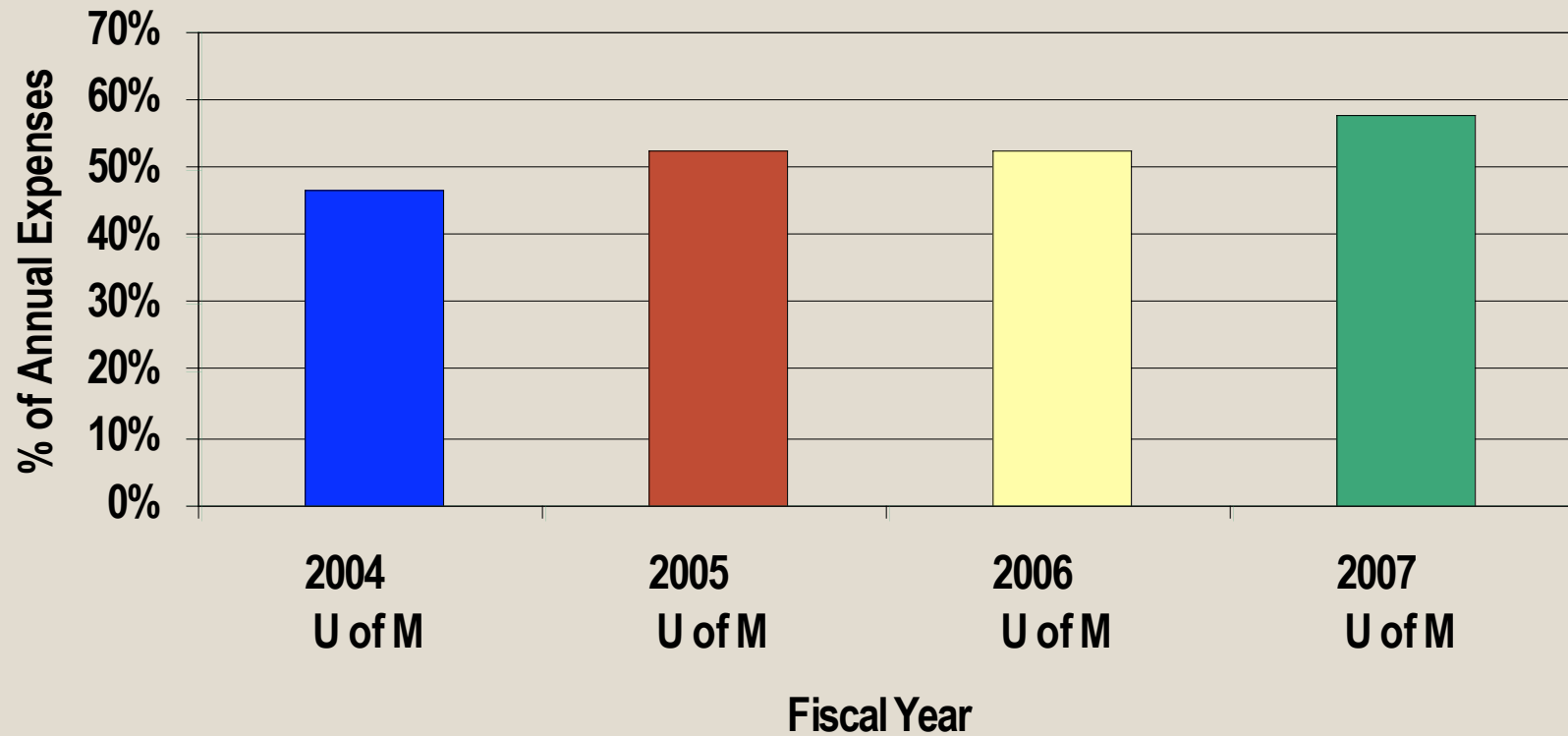
Total Assets / Total Liabilities



Source: Respective audited financial statements of the universities.

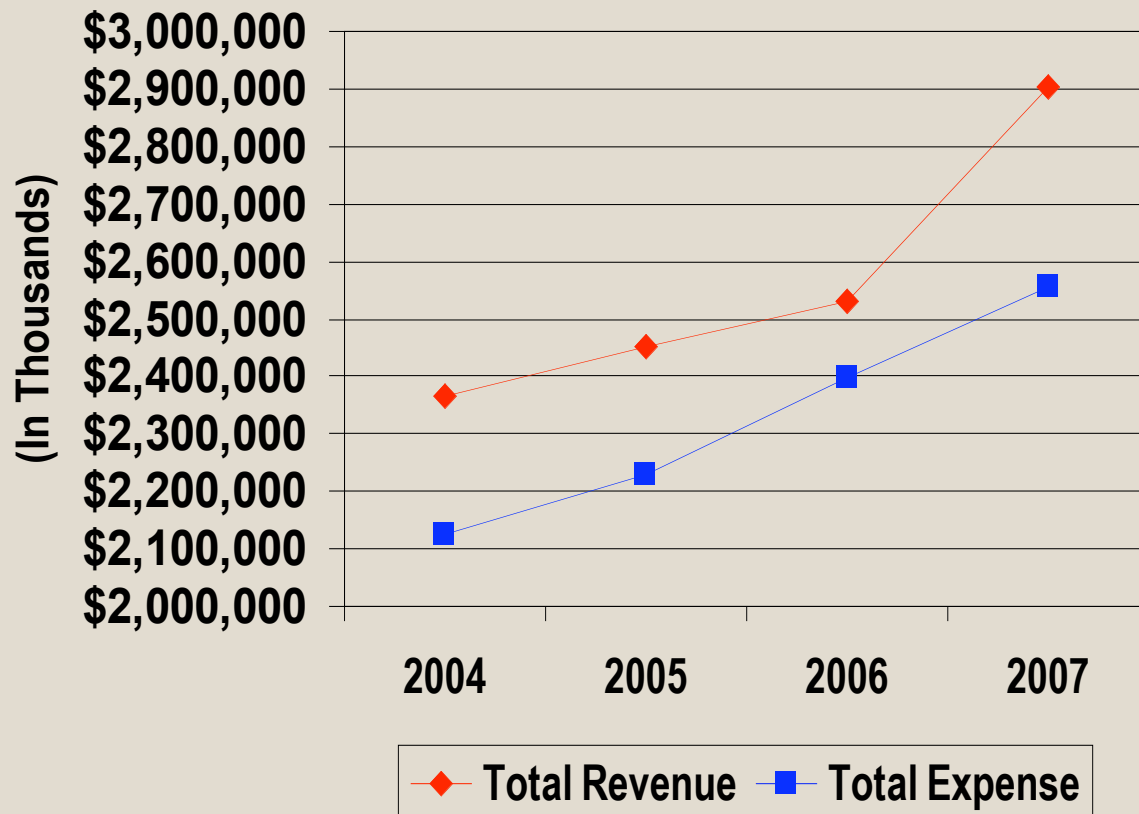
NOTE: Excludes University of Michigan with total assets of \$11.9 billion and liabilities of \$2.1 billion given that Michigan manages their endowment assets.

Expendable Net Assets / Total Expenses



Source: Respective audited financial statements of the University of Minnesota.

Trends of Total Revenues & Total Expenses

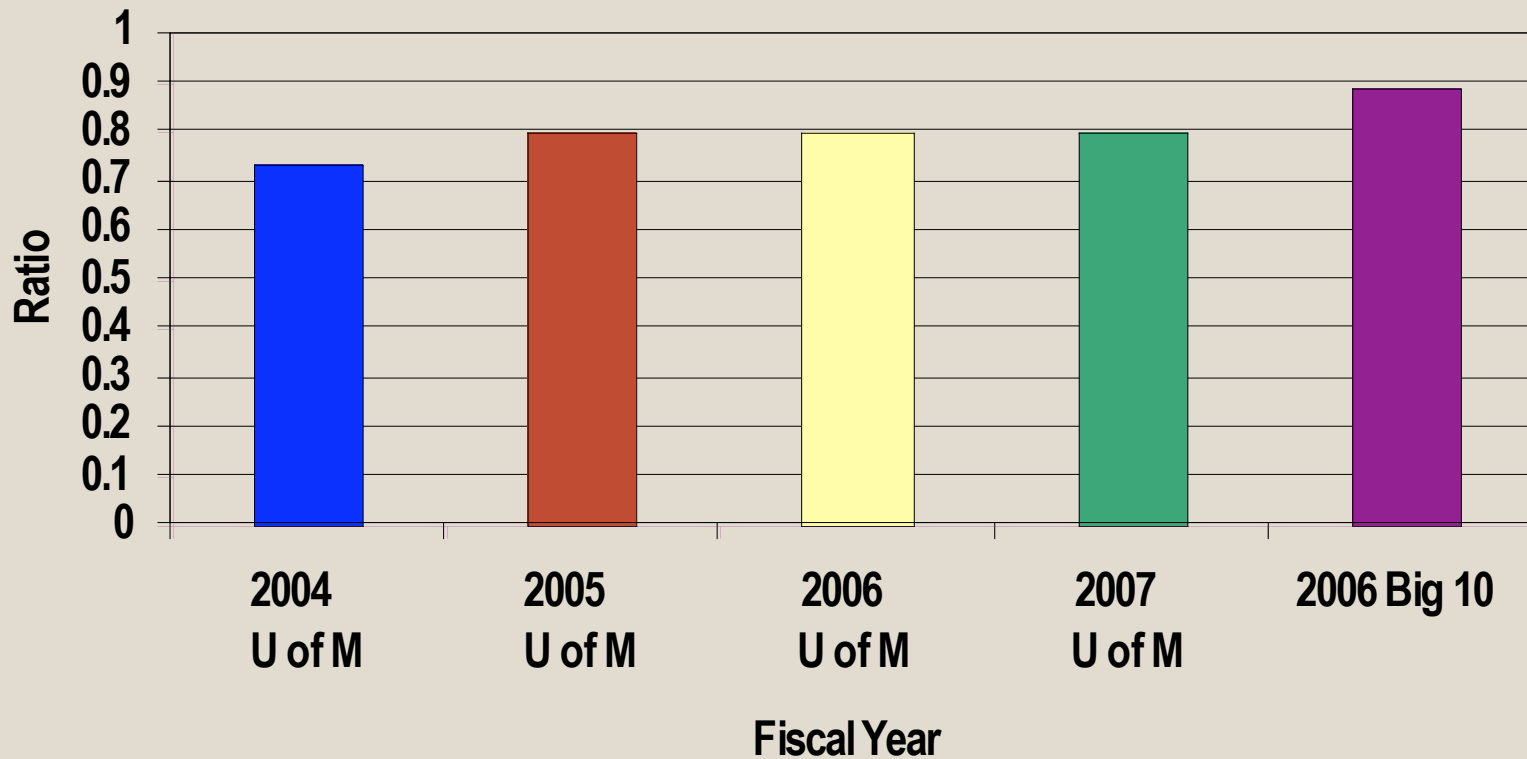


Revenues have increased in 2004 through 2007

- tuition rate increases
- market value gains on investments
- capital appropriations
- expenses increased in 2007 due to a 3.7% increase in pay rate

Source: Respective audited financial statements of the University of Minnesota.

Tuition Revenue / Instruction Expense



Source: Audited financial statements of respective the universities.

Questions and Feedback

We welcome any questions pertaining to the engagement.

We appreciate the opportunity to serve as the auditors for University of Minnesota and welcome any feedback relative to our performance.

Thank you!

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