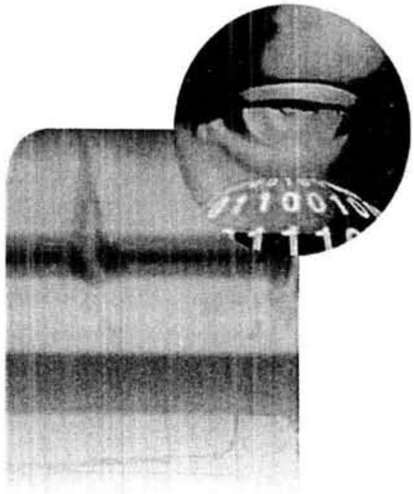
Antioch University

Results

Report to the Audit Committee

Results

Audit Results



Results

Ernst & Young LLP

October 17, 2002

Audit Committee
Antioch University

Dear Members of the Audit Committee:

We are pleased to present the results of our audit of the financial statements of Antioch University for the year ended June 30, 2002. Our opinion states that the financial statements, which are the responsibility of the University's management, are fairly presented in accordance with accounting principles generally accepted in the United States. Our approach for the University was designed to combine a historical perspective with a focus on the University's current and emerging business issues.

This Report to the Audit Committee summarizes our audit process, the scope of our engagement, the reports issued and various analyses and observations related to the University's financial position and results of operations. The document also reviews the Audit Committee communications required by our professional standards, as well as current accounting issues that will affect the University.

The completion of this year's audit was accomplished through the effective support and the assistance of the University's finance and administrative personnel. As always, we strive to continually improve the quality of our audit services. This meeting is a forum for you to provide feedback on ways we can continue to meet and exceed your expectations.

We appreciate this opportunity to meet with you. If you have any questions or comments please call Ron Kaufman at 219-425-4839 or Mark Scheiwer at 937-226-5559.

Very truly yours

Ernst + Young LLP

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Our Approach

As discussed with management during the planning process, our audit plan represented an approach responsive to the assessment of risk for the University. Specifically, we designed our audit to:

- Issue an opinion on the financial statements of the University.
- Issue reports in accordance with OMB Circular A-133 Single Audit for the University's Student Financial Aid Programs and other Federal Awards.
- Issue an opinion on the financial statements of WYSO-FM and certification of the Annual Financial Report to the Corporation for Public Broadcasting.
- Issue an opinion on the financial statements of Glen Helen Ecology Institute.
- Issue our required audit communications to the Audit Committee.

Areas of Audit Emphasis

The principal areas of audit emphasis were as follows:

- Contributions receivable.
- Reserves on receivables.
- Cash and investments and investment income.
- Debt and debt covenants.
- Property and equipment.
- Student Financial Aid–OMB A-133.

There were no changes to our planned approach or audit areas of emphasis.

Team to Serve the University

Ron Kaufman .... **Audit Partner**

Tom O'Neil .... **Independent Review Partner**

Mark Scheiwer .... **Audit Manager**

Johanna Matheny .... **Tax Manager**

Required Communications

Statement of Auditing Standards Nos. 61, 89, and 90 require the auditor to ensure that the Audit Committee receives additional information regarding the scope and results of the audit that may assist the Committee in overseeing management's financial reporting and disclosure process. Below we summarize these required communications.

Area	Comments
Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS)	
The financial statements are the responsibility of management. Our audit was designed in accordance with GAAS, which provides for reasonable, rather than absolute, assurance whether the financial statements are free of material misstatement. We have a responsibility to opine on whether the financial statements are fairly stated in accordance with Accounting Principles Generally Accepted in the United States.	We have conducted our audit in accordance with auditing standards generally accepted in the United States and believe that our audit provides a reasonable basis for our opinion.
Significant Accounting Policies	
Initial selection of and changes in significant accounting policies or their application and new accounting and reporting standards during the year must be reported.	No changes were noted.
Management Judgments and Accounting Estimates	
The preparation of financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.	We have audited the significant accounting estimates computed by management and have determined that the methods are reasonable and consistent with those used in the prior years.

Area	Comments
Significant Audit Adjustments	Proposed adjustment is immaterial in relation to unrestricted net assets. Current year proposed adjustment relates to the under-accrual of legal reserve of $130,000.
Other Information in Documents Containing Audited Financial Statements	Not applicable.
Disagreements With Management on Financial Accounting and Reporting Matters	There were no disagreements with management on financial accounting and reporting matters.
Major Issues Discussed With Management Prior to Retention	There were no major issues discussed with management prior to retention.
Consultation With Other Accountants	We are not aware of any consultation with other accountants.
Serious Difficulties Encountered in Performing the Audit	There were no difficulties encountered in performing the audit.
Material Errors, Irregularities, and Illegal Acts	There were no material errors, irregularities or illegal acts identified as a result of the audit.
Significant Disclosures Not Made	All significant disclosures required have been made in the audited financial statements.

Required Communications (continued)

You engaged us to conduct an audit of Antioch University's financial statements and federal programs for the year ended June 30, 2002 in accordance with generally accepted auditing standards, the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Our responsibilities for testing and reporting on internal control and on compliance with applicable laws and regulations under those standards are described in the table below. In addition, the table contrasts our responsibilities in this engagement with other procedures that we could perform in other financial-related audits.

	Our Responsibility Regarding Internal Control	Our Responsibility Regarding Compliance with Laws and Regulations
Financial statement audit—GAAS	We consider internal control to plan the nature, timing and extent of audit procedures for the purpose of expressing our opinion on the financial statements. We report, orally or in writing, any reportable conditions, including material weaknesses that we identify as a result of our audit procedures. Our report does not provide assurance on internal control over financial reporting.	We design our audit to provide reasonable assurance of detecting fraud that is material to the financial statements and illegal acts that have a direct and material effect on the financial statement amounts.
Financial statement audit—*Government Auditing Standards*	In addition to the GAAS responsibilities, we are required to issue a written report on our consideration of internal control and identify reportable conditions, including material weaknesses, if any. Our reports do not provide assurance on internal control over financial reporting.	In addition to the GAAS responsibilities, we design our audit to provide reasonable assurance of detecting material misstatements resulting from noncompliance with provisions of contracts or grant agreements that have a direct and material effect on the financial statements. We issue a written report on the results of these procedures; however, our report does not express an opinion on compliance.

	Our Responsibility Regarding Internal Control	Our Responsibility Regarding Compliance with Laws and Regulations
OMB Circular A-133	We consider internal control over federal award program compliance. Our tests of controls include the controls over all major federal programs (aggregate expenditures of all major programs are to encompass at least 25% of total federal program expenditures). We report on such consideration and testing, and disclose reportable conditions including material weaknesses we identify. Our report does not provide assurance on the internal control over compliance.	We perform procedures for the purpose of expressing an opinion whether major federal programs (aggregate expenditures of all major programs are to encompass at least 25% of total federal program expenditures) have been administered in compliance with applicable laws and regulations.
Examination-level attestation	We could be engaged to examine and report on management's written assertion as to the design and operating effectiveness of internal control. The engagement would be conducted in accordance with AICPA standards for attestation engagements, and would include an evaluation of the design of the entity's internal control, and performing tests of relevant internal control policies and procedures to evaluate their operating effectiveness.	We could be engaged to examine and report on management's written assertion regarding compliance. The engagement could be conducted at the financial statement level, or could result in a determination as to whether all federal programs have been administered in accordance with applicable laws and regulations. The engagement would be conducted in accordance with AICPA standards for attestation engagements, and would include obtaining an understanding of the specific compliance requirements, obtaining an understanding of the design of the entity's internal control over compliance, and testing compliance with specified requirements.

	Our Responsibility Regarding Internal Control	Our Responsibility Regarding Compliance with Laws and Regulations
Agreed-upon procedures level attestation	We could be engaged to perform agreed-upon procedures related to management's written assertions as to the design and operating effectiveness of internal control. The objective of the agreed-upon procedures is to present specific findings to assist users in evaluating management's assertions. Our procedures generally may be as limited or extensive as the users desire as long as the users (a) participate in establishing the procedures to be performed and (b) take responsibility for the sufficiency of such procedures for their purposes.	We could be engaged to perform agreed-upon procedures related to management's written assertions regarding compliance. The objective of the agreed-upon procedures is to present specific findings to assist users in evaluating management's assertions. Our procedures generally may be as limited or extensive as the users desire as long as the users (a) participate in establishing the procedures to be performed and (b) take responsibility for the sufficiency of such procedures for their purposes.

Significant Accounting and Audit Matters

- Contributions receivable and allowance

- Student receivables
  - Allowance for uncollectible Perkins loans.
  - Allowance for doubtful accounts on outstanding student accounts.

- Investments
  - Investments in private companies.
  - Endowment investments increased significantly with the addition of $10 million gift from Leo Drey.
  - Subsequent significant decline in investments after year-end.

- Accrued liabilities
  - Accrual of tenure relinquishment contracts.

- Debt covenant compliance.
  - Obtained waiver letters for the New Hampshire and Seattle Bond issues.
  - Ohio Education bonds in compliance as of year-end.

- Campus Visits
  - Tested control environment at Santa Barbara, Los Angeles, and College at Yellow Springs

Other Services Provided and Looking Ahead

➤ Status of Other Audits

- Glen Helen Ecology Institute
- WYSO-FM
- Student financial aid and other federal awards—OMB A-133

Ernst & Young

Ernst & Young LLP
Fifth Third Center
Suite 1800
110 North Main Street
Dayton, OH 45402

Phone: (937) 223-2000
www.ey.com

October 17, 2002

The Audit Committee

Antioch University

INDEPENDENCE COMMUNICATIONS

Consistent with the report and recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees and as required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees* (ISB No. 1), we communicate at least annually with you regarding all relationships between Ernst & Young and its related entities and the University and its related entities that, in our professional judgment, may reasonably be thought to bear on our independence. We are not aware of any relationships between Ernst & Young and the University that, in our professional judgment, may reasonably be thought to bear on our independence.

Accordingly, relating to our audit of the financial statements of Antioch University as of June 30, 2002 and for the year then ended, we are independent certified public accountants with respect to the University within the meaning of the applicable published rules and regulations of the Securities and Exchange Commission, the pronouncements of the Independence Standards Board, and Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct, its interpretations and rulings. Our policies relating to financial interests are stricter than the requirements imposed by these regulatory and professional bodies.

We look forward to discussing these issues with you at our upcoming meeting on October 17, 2002.

This report is intended solely for the information and use of the Audit Committee of the University, management, and others within the University and should not be used for any other purposes.

Very truly yours

Ernst + Young LLP