ANTIOCH UNIVERSITY

Office of the Vice Chancellor
and Chief Financial Officer

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November 22, 2007

To: Members of the Board of Trustees

From: Thomas A. Faecke, Vice Chancellor & CFO

Subject: Financial Audit for FY07

Attached is the financial audit dated November 8, 2007, from the accounting firm of Hausser & Taylor, LLC. The draft audit was presented at the October Board of Trustees meeting and the final audit is submitted with only two significant changes. They were:

(A) Page 13, Note 5. Violation of Debt Covenant

After the October BOT meeting we were notified by National City Bank that we were in violation of an Ohio debt covenant. We have been granted a waiver of the covenant violation and are in current conversations with National City Bank in negotiating a new formula that will have the Ohio covenant calculations mirror the bond calculations in effect for Washington and New Hampshire. We feel confident from preliminary conversations that we will be successful in this effort.

(B) Page 21, Note 16. November 2 decision

Because the audit was not issued at the time of the decision to lift the suspension of operations, and the audit opinion contained the date we received the waiver, the auditors were required to disclose the Board's November 2 decision regarding the suspension.

If you have any specific questions regarding the FY07 audit please do not hesitate to contact me or Virginia Dowse.

Cc: Toni Murdock
Virginia Dowse
David Weaver

ANTIOCH UNIVERSITY

FINANCIAL STATEMENTS WITH OMB CIRCULAR A-133 REPORT

JUNE 30, 2007 AND 2006

ANTIOCH UNIVERSITY

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HAUSSER + TAYLOR LLC
Business advisors and certified public accountants

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Board of Trustees
Antioch University
Yellow Springs, Ohio

Independent Auditors' Report

We have audited the accompanying statements of financial position of Antioch University ("the University") as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position Antioch University as of June 30, 2007 and 2006, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2007 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the University taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2007 is presented for purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hausser + Taylor LLC

Columbus, Ohio
November 8, 2007

ANTIOCH UNIVERSITY

STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

	2007	2006
ASSETS		
Cash and cash equivalents	$ 8,116,355	$ 7,003,812
Accounts receivable, less allowance for doubtful accounts ($177,326 in 2007 and $318,288 in 2006)	1,882,503	979,623
Grants receivable	208,027	117,247
Prepaid expenses	2,141,582	2,094,770
Loans to students, less allowance for uncollectible loans ($2,181,511 in 2007 and $2,181,491 in 2006)	5,328,202	4,869,591
Contributions receivable, less allowance for uncollectible items ($1,969,204 in 2007 and $929,280 in 2006)	4,820,132	8,388,754
Beneficial interest in split interest agreements	645,040	499,030
Investments	42,777,792	50,407,240
Land, buildings, and equipment—net	36,434,395	29,282,639
Total assets	$ 102,354,028	$ 103,642,706
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit	$ -	$ 600,000
Accounts payable	2,566,272	1,468,552
Accrued benefit liabilities	4,464,287	3,431,133
Other accrued liabilities	5,361,535	3,410,429
Deferred revenue	7,822,022	6,949,876
Notes and bonds payable	24,102,511	24,906,796
Annuities payable	1,742,284	1,801,237
Deposits held for others	941,628	815,377
Advances from government for student loans	4,914,634	4,855,412
Total liabilities	51,915,173	48,238,812
NET ASSETS		
Unrestricted	15,788,095	12,946,058
Temporarily restricted	13,893,404	22,048,132
Permanently restricted	20,757,356	20,409,704
Total net assets	50,438,855	55,403,894
Total liabilities and net assets	$ 102,354,028	$ 103,642,706

The accompanying notes are an integral part of these financial statements.

ANTIOCH UNIVERSITY

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and fees	$ 57,940,866	$ -	$ -	$ 57,940,866
Less student aid	(4,469,061)	-	-	(4,469,061)
	53,471,805	-	-	53,471,805
Contributions	2,118,487	924,558	424,634	3,467,679
Contracts and other exchange transactions	6,890,835	130,627	-	7,021,462
Investment income on life income and annuity agreements	-	102,997	49,162	152,159
Changes in value of split-interest agreements	-	-	55,378	55,378
Investment income on endowments	15,017	662,593	-	677,610
Other investment income	1,186,869	-	-	1,186,869
Net realized gains on endowments	2,541,551	-	-	2,541,551
Net realized gains on other investments	789,176	92,259	43,536	924,971
Sales and service of auxiliary enterprises	2,905,517	-	-	2,905,517
Other income	1,559,488	-	-	1,559,488
Total revenues and gains	71,478,745	1,913,034	572,710	73,964,489
Net assets released from restrictions	8,841,988	(8,841,988)	-	-
Donor redesignation of net assets	(17,630)	-	17,630	-
Total revenues, gains, and other support	80,303,103	(6,928,954)	590,340	73,964,489
EXPENSES AND LOSSES				
Educational and general:				
Instruction	31,513,269	-	-	31,513,269
Research	30,919	-	-	30,919
Public service	4,572,830	-	-	4,572,830
Academic support	7,027,798	-	-	7,027,798
Student services	8,904,936	-	-	8,904,936
Institutional support	18,163,810	-	-	18,163,810
Scholarships and fellowships	2,684,655	-	-	2,684,655
Total educational and general expenses	72,898,217	-	-	72,898,217
Auxiliary enterprises	3,880,906	-	-	3,880,906
Total expenses	76,779,123	-	-	76,779,123
Bad debt expense	-	1,249,238	217,763	1,467,001
Actuarial gain on annuity obligations	-	(103,217)	-	(103,217)
Payments to life income beneficiaries	-	209,033	49,867	258,900
Total expenses and losses	76,779,123	1,355,054	267,630	78,401,807
REVENUES, GAINS AND OTHER SUPPORT LESS EXPENSES AND LOSSES	3,523,980	(8,284,008)	322,710	(4,437,318)
Net unrealized gains on investments	1,129,171	129,280	24,942	1,283,393
Increase in net assets before cumulative effect of change in accounting principle	4,653,151	(8,154,728)	347,652	(3,153,925)
Cumulative effect of change in accounting principle	(1,811,114)	-	-	(1,811,114)
Increase (decrease) in net assets	2,842,037	(8,154,728)	347,652	(4,965,039)
Net assets at beginning of year	12,946,058	22,048,132	20,409,704	55,403,894
Net assets at end of year	$ 15,788,095	$ 13,893,404	$ 20,757,356	$ 50,438,855

The accompanying notes are an integral part of these financial statements.