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University of Alaska

Tammy Erickson, Partner
Kim Koch, Senior Manager

Communication with Those Charged with Governance 2013 Audit Results

December 13, 2013

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

December 13, 2013

Members of the Audit Committee
University of Alaska

Dear Audit Committee Members:

Thank you again for engaging Moss Adams. We are pleased to have the opportunity to meet with you to discuss the results of our audit of the financial statements and federal program compliance of the University of Alaska (the "University") for the year ended June 30, 2013.

The accompanying report, which is intended solely for the use of the Audit Committee, presents important information regarding the University's financial statements and our audit that we believe will be of interest to you.

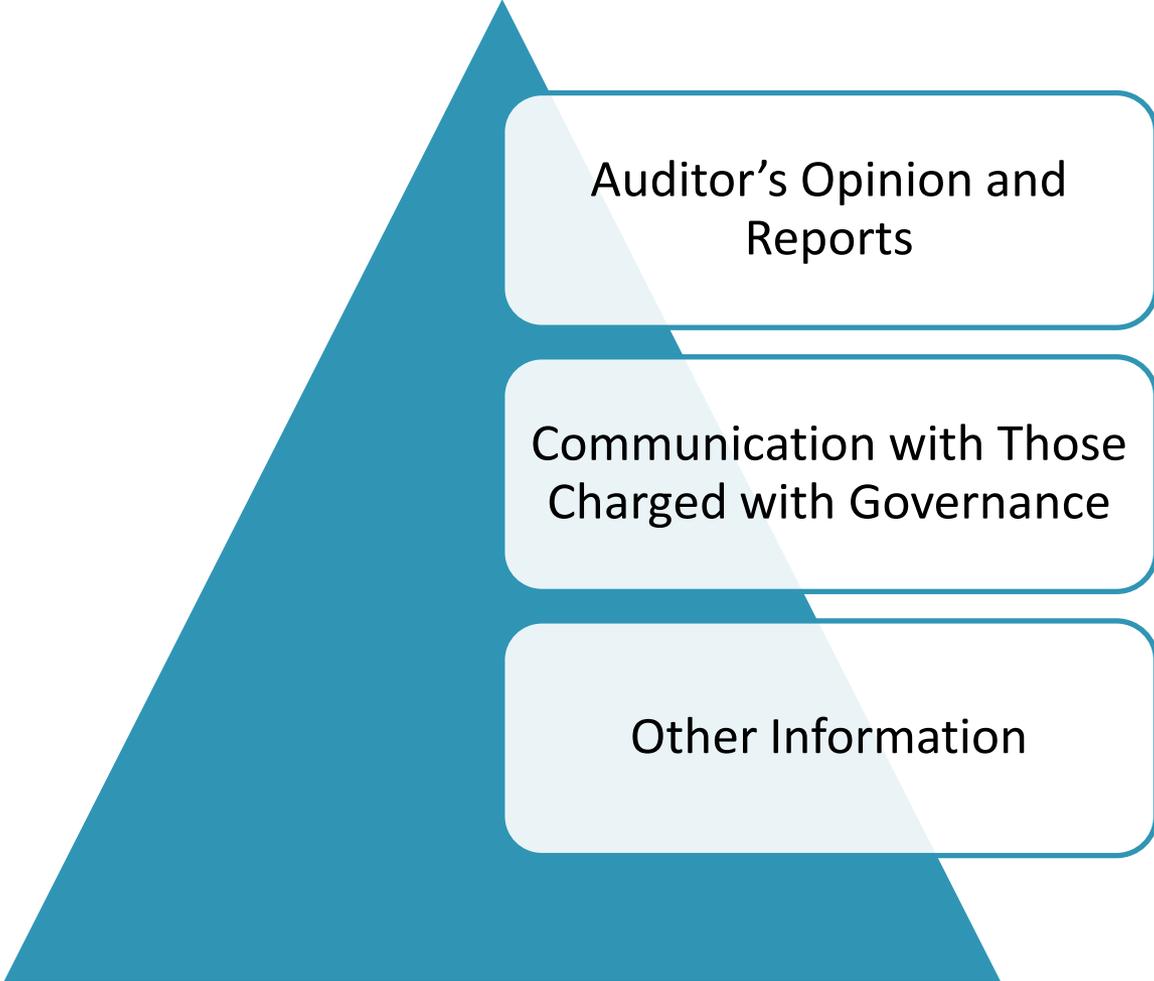
We conducted our audit with the objectivity and independence that you expect. We received the full support and assistance of the University's personnel. This report is intended solely for the information and use of the Audit Committee, Board of Trustees and management, and is not intended to be and should not be, used by anyone other than those specific parties.

We look forward to discussing our report or any other matters of interest with you during this meeting.

Sincerely,

Moss Adams LLP

AGENDA



Auditor's Opinion and Reports

Communication with Those Charged with Governance

Other Information

AUDITOR'S REPORT ON THE FINANCIAL STATEMENT

Unmodified Opinion

- Financial Statements are presented fairly in accordance with accounting principles generally accepted in the United States of America.

OTHER AUDITOR'S REPORTS

GAGAS Report on *Internal Control Over Financial Reporting* and on *Compliance and Other Matters*

- Significant deficiency finding over financial reporting
- No internal control finding over compliance that could impact the financial reporting

Report on Compliance with Requirements That Could Have a *Direct and Material effect on Each Major Federal Program and on Internal Control over Compliance* in Accordance with OMB Circular A-133

- No compliance findings
- No significant deficiencies or material weaknesses over compliance reported

OUR RESPONSIBILITY UNDER U.S. AND GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter, our responsibility, as described by professional standards, is to form and **express an opinion** about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements **does not relieve you or management of** your responsibilities.

Our responsibility is to plan and perform the audit in accordance with generally accepted auditing standards issued by the AICPA and Government Auditing Standards issued by the Comptroller General of the United States, and to design the audit to obtain **reasonable, rather than absolute, assurance** about whether the financial statements are free of material misstatement.

Our audit of financial statements includes **consideration of internal control** over financial reporting as a basis for designing audit procedures **but not for the purpose of expressing an opinion** on the effectiveness of the University's internal control over financial reporting. Accordingly, we considered the University's internal control for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for **communicating significant matters related to the financial statement audit** that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, **we** are not required to design procedures for the purpose of identifying other matters to communicate to you.

COMMUNICATION WITH GOVERNING BODY

Matters to Be Communicated

Planned Scope and Timing of the Audit

It is the auditor's responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence and to communicate with those charged with governance an overview of the planned scope and timing of the audit.

Moss Adams' Comments

The planned scope and timing of the audit was communicated to the University's Audit Committee at the audit entrance meeting and was included in the engagement letter for the year ended June 30, 2013.

COMMUNICATION WITH GOVERNING BODY

Matters to Be Communicated

Significant Accounting Policies and Unusual Transactions

The auditor should determine that the audit committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the audit committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Moss Adams' Comments

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in the Footnotes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. There were no changes to significant accounting policies for the year ended June 30, 2013.

We believe management has selected and applied significant accounting policies appropriately and consistently with those of the prior year.

COMMUNICATION WITH GOVERNING BODY

Matters to Be Communicated

Management Judgments and Accounting Estimates

The audit committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Moss Adams' Comments

Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.

Significant management estimates impacting the financial statements include the following: **Fair value of investments, depreciable lives of capital assets, allowances for doubtful accounts, Education Trust of Alaska estimated liability surrounding the Tuition Value Guarantees, and Insurance and risk management estimates.**

We deemed them to be reasonable.

COMMUNICATION WITH GOVERNING BODY

Matters to Be Communicated

Management Judgments and Accounting Estimates (Continued)

Our views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures

Moss Adams' Comments

The disclosures in the financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We believe the most sensitive footnotes related to deposits and investments in **Note 2**, long term debt in **Note 8**, Pension Plans in **Note 14**, and the University of Alaska Foundation in **Note 17**.

COMMUNICATION WITH GOVERNING BODY

Matters to Be Communicated

Difficulties Encountered in Performing the Audit

The audit committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.

Moss Adams' Comments

No significant difficulties were encountered during our audit.

COMMUNICATION WITH GOVERNING BODY

Matters to Be Communicated

Significant Audit Adjustments and Unadjusted Differences Considered by Management to be Immaterial

The audit committee should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in the University's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future financial statements to be materially misstated.

The audit committee should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Moss Adams' Comments

There were no correcting audit adjustments recorded.

There were two proposed adjustments related to the deferral of the gain on the sale of the Diplomacy Building in accordance with sale-leaseback accounting and an adjustment of the workers' compensation accrual to agree to the actuary report. The adjustments were not material to the financial statements taken as a whole.

COMMUNICATION WITH GOVERNING BODY

Matters to Be Communicated

Potential Effect on the Financial Statements of Any Significant Risks and Exposures

The audit committee should be adequately informed of the major risks and exposures facing the University.

Disagreements With Management

Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the University's financial statements, or the auditor's report.

Moss Adams' Comments

The University is subject to potential legal proceedings and claims that arise in the ordinary course of business.

We are pleased to report that there were no disagreements with management.

COMMUNICATION WITH GOVERNING BODY

Matters to Be Communicated

Deficiencies in Internal Control

Any material weaknesses and significant deficiencies in the design or operation of internal control that came to the auditor's attention during the audit must be reported to the audit committee.

Moss Adams' Comments

Material weakness

None noted

Significant deficiency

Controls over Procurement cards

COMMUNICATION WITH GOVERNING BODY

Matters to Be Communicated

Representations requested of management

We requested certain representations from management that are included in the management representation letter.

Moss Adams' Comments

We requested certain representations from management that are included in the management representation letter dated October 17, 2013.

COMMUNICATION WITH GOVERNING BODY

Matters to Be Communicated

Management's consultation with other accountants

In some cases, management may decide to consult about auditing and accounting matters, if management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

Moss Adams' Comments

We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.

COMMUNICATION WITH GOVERNING BODY

Matters to Be Communicated

Other Material Written Communications

Report to the Audit Committee significant written communications between the auditor and client management.

Material Uncertainties Related to Events and Conditions (specifically going concern issues)

Any doubt regarding the entity's ability to continue, as a going concern, should be communicated to the audit committee.

Moss Adams' Comments

Other than the engagement letter, management representation letter and communication to those charged with governance, there have been no other significant communications. We did issue a management letter with minor comments for management's consideration.

No such matters came to our attention.

COMMUNICATION WITH GOVERNING BODY

Matters to Be Communicated

Fraud and Illegal Acts

Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements should be communicated. We are also required to communicate any illegal acts involving senior management that come to our attention, unless clearly inconsequential.

Auditor's Independence

We are required to communicate in writing, at least annually, all independence-related relationships between our firm and the University and provide confirmation that we are independent accountants with respect to the University.

Moss Adams' Comments

We have not become aware of any instances of fraud or illegal acts.

We are not aware of any independence-related relationships between our firm and the University and hereby confirm that we are independent accountants with respect to the University under professional standards.

OTHER DISCUSSION ITEMS



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RESOURCES FOR GOVERNMENTAL AND NON-PROFIT BOARDS

ASSOCIATION OF GOVERNING BOARDS

- www.agb.org

AICPA

- <http://www.aicpa.org/InterestAreas/BusinessIndustryAndGovernment/Resources/NotForProfitResourceCenter/Pages/AICPANot-for-ProfitAuditCommitteeToolkitDownloads.aspx>

BOARDSOURCE

- www.boardsource.org

Consult our webpage for the most up-to-date publications, webcasts, and events at www.mossadams.com/Industries/Higher-Education/Overview and/or www.mossadams.com/nfp

KEEPING YOU INFORMED

Keeping you informed about changes in the financial landscape is one of our top priorities. We closely monitor regulatory agencies, participate in industry and technical forums, and write about a wide range of general as well as industry-specific accounting, tax, and business issues. The goal? To provide you with actionable information and guidance to help your organization succeed.

ONLINE PUBLICATIONS

- [Summer Not-for-Profit Update](#)
- [Proposed Changes to Lease Accounting: Will You Be Prepared?](#)
- [Getting Back on Track with a Performance Audit](#)

SEMINARS AND EVENTS

[Council on Foundations 2013 Fall Conference for Community Foundations](#)

San Diego, CA | September 22-25

[Philanthropy Northwest 2013 Annual Conference](#)

Juneau, AK | October 1-3

- Glass Canoe | Wendy Campos and Kathryn Garrison
- The Breakthrough Clinic: Make Deals Happen in Mission Investing | Wendy Campos

WEBCASTS

- [Performance Audits: Enhance Economy, Efficiency, and Effectiveness](#) | September 26
- [Economic and Market Update](#) | October 10
- [Quarterly Tax Update](#) | October 24

[Association of Small Foundations 2013 Conference](#)

Albuquerque, NM | October 1-3

[2013 AICPA Governmental and Not-for-Profit Training Program](#)

Orlando, FL | October 21-23

- Where Single Audit Sampling Often Goes Wrong | Erica Forhan
- Common Auditing Deficiencies | Erica Forhan
- Avoiding Deficiencies in Applying GASB Pronouncements | Jim Lanzarotta

SERVING GOVERNMENTS AND NOT-FOR-PROFITS

ASSURANCE

- Agreed-upon procedure engagements
- [Audits and reviews](#)
- Circular A-133 audits
- Compliance examinations pursuant to federal reporting requirements
- [Employee benefit plan services](#)
- Written acknowledgements and agreed-upon procedure engagements in connection with tax-exempt bond offerings

CONSULTING

- [Endowment management and investment consulting](#)
- [Fraud investigation and forensic accounting](#)
- [IT consulting](#)
- [Strategic business planning](#)
- [Sustainability services](#)
- [Systems Control & Operations Risk Evaluation \(SCORE!\)](#)
- [Wealth services](#)

TAX

- Alternative investment issues
- Compensation, payroll, and employment tax issues, including fringe benefits, deferred compensation, and policy setting to meet the rebuttable presumption process
- Complex group structures, including non-501(c)(3) exempt organizations
- Donor-advised fund planning and reporting
- [Estate planning](#) for donors and development department marketing
- For-profit organization formation and operations
- Formation of new entities, including preparation of Forms 1023 and 1024 and associated state filings
- Independent contractor versus employee determinations
- IRS and state audit representation
- Joint venture formation and operation
- Lobbying and political expenditure classification and reporting
- Maintaining tax-exempt status and public charity status
- Member versus nonmember activity issues
- Preparation of Form 990, 990-T, 990-PF, and relevant state forms
- [Private foundation planning analysis](#)
- Public support test planning
- Sales and use tax exemptions
- [State and local tax services, including credits and incentives](#)
- State solicitation registration and annual filings
- Tax-exempt bond consultation, including private business use and post-issuance bond compliance procedures
- Third-party management agreements and sponsorship planning
- Transfer pricing and expense allocation methodology
- Unrelated business taxable income

THANK YOU!

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