

Occidental College

Los Angeles, California 90041

EIN 951667177

**Report on Audited Financial Statements
and Federal Awards Audit Reports
For the Year Ended June 30, 2007**

Occidental College
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For the Year Ended June 30, 2007

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Occidental College
Balance Sheets
As of June 30, 2007 and 2006

	2007	2006
Assets		
Cash and cash equivalents	\$ 4,382,491	\$ 1,742,722
Assets whose use is limited	20,645,531	42,686,769
Student accounts receivable, less allowance for doubtful accounts of \$237,059 and \$163,034 at June 30, 2007 and 2006, respectively	366,603	288,120

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

Occidental College
Statements of Activities
For the Year Ended June 30, 2007 (with comparative totals for the year ended June 30, 2006)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total	2006 Total
Operating Revenues					
Tuition and fees	\$ 59,876,839	\$ —	\$ —	\$ 59,876,839	\$ 56,058,197
Room and board	11,220,028	—	—	11,220,028	10,905,145
Less: Financial assistance	<u>(20,645,836)</u>	<u>—</u>	<u>—</u>	<u>(20,645,836)</u>	<u>(20,121,691)</u>
Net student revenues	50,451,031	—	—	50,451,031	46,841,651
Private gifts, grants, and contracts	10,139,775	1,273,458	13,514,492	24,927,725	19,717,513
Federal and state grants and contracts	2,543,305	—	—	2,543,305	2,537,275
Investment income designated for operations	14,141,594	—	—	14,141,594	13,101,322
Other	4,676,517	1,889	—	4,678,406	4,531,577
Net assets released for operations	<u>245,530</u>	<u>(245,530)</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

Occidental College
Statement of Activities
For the Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees	\$ 56,058,197	\$ —	\$ —	\$ 56,058,197
Room and board	10,905,145	—	—	10,905,145
Less: Financial assistance	<u>(20,121,691)</u>	<u>—</u>	<u>—</u>	<u>(20,121,691)</u>
Net tuition revenue	46,841,651	—	—	46,841,651
Private gifts, grants, and contracts	10,756,854	3,578,855	5,381,804	19,717,513
Federal and state grants and contracts	2,537,275	—	—	2,537,275
Investment income designated for operations	13,101,322	—	—	13,101,322
Other	<u>4,515,034</u>	<u>4,391</u>	<u>12,152</u>	<u>4,531,577</u>
Total revenues	<u>77,752,136</u>	<u>3,583,246</u>	<u>5,393,956</u>	<u>86,729,338</u>
Operating Expenditures				
Academic program	38,146,800	—	—	38,146,800
Co-curricular program	18,437,221	—	—	18,437,221
Public service	4,686,525	—	—	4,686,525
Marketing	8,408,625	—	—	8,408,625
Institutional support	<u>7,110,381</u>	<u>—</u>	<u>—</u>	<u>7,110,381</u>
Total expenditures	<u>76,789,552</u>	<u>—</u>	<u>—</u>	<u>76,789,552</u>
Operating income	962,584	3,583,246	5,393,956	9,939,786
Other Changes in Net Assets				
Net assets released for capital expenditures	1,482,606	(1,482,606)	—	—
Present value adjustment for annuities	(571,394)	636,200	(613,374)	(548,568)
Change in fair market value of assets held in trust by others	—	198,943	(46,207)	152,736
Realized and unrealized gains, net of allocation to operations and net of investment expense of \$2,443,659 for the year ended June 30, 2006	30,037,665	732,046	1,580,315	32,350,026
Redesignation of net assets	<u>(174,646)</u>	<u>174,646</u>	<u>—</u>	<u>—</u>
Total other changes in net assets	<u>30,774,231</u>	<u>259,229</u>	<u>920,734</u>	<u>31,954,194</u>
Cumulative effect of change in accounting principle	<u>(2,711,835)</u>	<u>—</u>	<u>—</u>	<u>(2,711,835)</u>
Changes in net assets	29,024,980	3,842,475	6,314,690	39,182,145
Net assets, beginning of year	<u>257,964,506</u>	<u>16,349,732</u>	<u>113,080,029</u>	<u>387,394,267</u>
Net assets, end of year	<u>\$ 286,989,486</u>	<u>\$ 20,192,207</u>	<u>\$ 119,394,719</u>	<u>\$ 426,576,412</u>

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

Occidental College
Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Changes in net assets	\$ 67,778,100	\$ 39,182,145
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	4,474,241	4,545,551
Gifts of stock and securities	(5,876,670)	(3,961,523)
Cumulative effect of change in accounting principle	–	2,711,835
Net unrealized and realized gains on investments	(52,495,755)	(33,889,775)
Contributions restricted for long-term investment	(13,514,492)	(5,381,804)
Changes in assets and liabilities		
Student accounts receivable, net	(78,483)	155,834
Contracts and grants receivable	(578,413)	135,508
Student notes receivable, net	119,512	63,894
Contributions receivable, net	(31,667)	157,921
Inventories	(13,319)	(21,727)
Other assets	987,657	(1,765,842)
Accounts payable and accrued expenses	2,616,462	(495,222)
Student deposits and deferred revenue	1,323,272	(664,075)
Other liabilities	(82,641)	–
Net cash provided by operating activities	<u>4,627,804</u>	<u>772,720</u>
Cash flows from investing activities		
Decrease in trust deeds receivable	138,519	230,215
Change in assets whose use is limited	22,041,238	37,239
Purchases of investments	(110,593,401)	(56,271,177)
Sales of investments	104,126,402	52,801,308
Purchases of property and equipment	<u>(28,039,148)</u>	<u>(9,180,220)</u>
Net cash used in investing activities	<u>(12,326,390)</u>	<u>(12,382,635)</u>
Cash flows from financing activities		
Contributions restricted for long-term investment	9,509,871	3,601,138
Deposits with bank trustees	(12,369)	56,278
Change in assets held in trust by others	(2,331,720)	67,264
Repayment of notes payable	–	(282,432)
Repayment of long-term debt	(12,000)	(57,000)
Increase in annuities payable	<u>3,184,573</u>	<u>1,054,274</u>
Net cash provided by financing activities	<u>10,338,355</u>	<u>4,439,522</u>
Net increase (decrease) in cash and cash equivalents	2,639,769	(7,170,393)
Cash and cash equivalents, beginning of year	<u>1,742,722</u>	<u>8,913,115</u>
Cash and cash equivalents, end of year	<u>\$ 4,382,491</u>	<u>\$ 1,742,722</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 2,919,746</u>	<u>\$ 2,957,803</u>
Gifts of stock and securities	<u>\$ 5,876,670</u>	<u>\$ 3,961,523</u>
Unpaid fixed asset purchases	<u>\$ 1,595,945</u>	<u>\$ –</u>

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

Occidental College

Notes to Financial Statements

June 30, 2007 and 2006

1. Operations and Summary of Significant Accounting Policies

Nature of Operations

Occidental College (the "College") is an independent, coeducational college of liberal arts and sciences, founded in 1887. Occidental College seeks to provide an education of high quality in the best tradition of the liberal arts, emphasizing thorough competence in a chosen field of study together with a broad understanding of our historical and cultural heritage and the relationships among fields of knowledge. The College is accredited by the Western Association of Schools and Colleges.

Basis of Accounting and Reporting

The accompanying financial statements of the College, a not-for-profit educational institution, have been prepared on the accrual basis of accounting in accordance with standards generally accepted in the United States of America and with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Not-for-Profit Organizations*.

Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are comprised of assets which are for operating purposes or assets which are not subject to donor-imposed restrictions and are general in nature. Unrestricted net assets have been segregated into the following categories:

Designated – Educational and general – includes funds that are internally designated for operational or special use.

Designated – Functioning as endowment – includes certain gifts not otherwise restricted and Board designations of assets to function as endowment, realized and unrealized gains, and reinvested income on endowment funds unless restricted by the terms of the donor agreement.

Designated – Student loan funds – includes lending activity to students utilizing College resources designated for that purpose as well as funds intended for a general College loan program.

Designated – Life income and annuity contracts – the College has legal title to life income and annuity contracts and agreements, subject to life interests of the beneficiaries. No significant financial benefit is or can be realized until the contractual obligations are released.

Designated – Renewal and replacement – includes amounts internally designated for renewal and replacement of property and equipment.

Occidental College
Notes to Financial Statements
June 30, 2007 and 2006

Occidental College
Notes to Financial Statements
June 30, 2007 and 2006

1. Operations and Summary of Significant Accounting Policies (Continued)

Occidental College
Notes to Financial Statements
June 30, 2007 and 2006

1. Operations and Summary of Significant Accounting Policies (Continued)

Investments

Investments are stated at fair value. The fair value of investments is based on quoted prices from

Occidental College
Notes to Financial Statements
June 30, 2007 and 2006

1. Operations and Summary of Significant Accounting Policies (Continued)

Collections

Collections, such as rare books and works of art, which were acquired through purchases and contributions since the College's inception, are not recognized as assets on the balance sheets. These collections are held solely for their potential educational value or historical significance. Management has determined that the cost to establish the current market value is deemed to exceed the benefit and therefore the collections were not assigned a value for the purpose of capitalization. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items have been restricted by donors. Contributed collection

Occidental College
Notes to Financial Statements
June 30, 2007 and 2006

1. Operations and Summary of Significant Accounting Policies (Continued)

Student Loans

The College administers a federal student loan program, the Perkins Student Loan program. Loans made under this program have a ten-year repayment period, with interest rates between 3% and 6%. In the event of termination of the program, the loan repayments would be distributed to the federal government and the College on the basis of their relative contributions to the program. It is anticipated that any uncollectible loan balances would be treated in a similar manner.

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. Government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Tax-Exempt Status

The College has been notified by federal and state regulatory authorities that it qualifies as a tax-exempt educational institution under current IRS and corresponding state provisions, respectively.

Fair Value of Financial Instruments

For those financial instruments for which it is practical, the following methods and assumptions are used to estimate fair value:

- Receivables – Amounts receivable under student accounts receivable, contracts and grants receivable, contributions receivable, and trust deeds receivable are carried at cost, less allowing for doubtful accounts, which approximates fair value.
- Long-term debt – This fair value was estimated based upon the discounted amount of future cash outflows based on current rates available to the College for debt of the same remaining maturities.

Occidental College

Notes to Financial Statements

June 30, 2007 and 2006

1. Operations and Summary of Significant Accounting Policies (Continued)

Reclassifications

In 2007, the College changed some of the functional categories for expenditures in order to more clearly and accurately present how the College expends money. The new category Academic Program includes the previously presented categories, Instruction, Research and Academic Support. Expenditures for the Registrar's office are now included in Academic Program and were previously included in Student Services. The new category Co-curricular Program includes most of the previously presented category, Student Services and also includes room and board expense, the proportion of expenses related to selling books, campus safety, and postal operations. The new category Marketing includes Fundraising (previously included in Institutional Support), Admissions and Financial Aid office expense (previously included in Student Services). Certain reclassifications have been made in the College's 2006 financial statements to conform to the 2007 presentation.

Redesignation of Net Assets

Certain amounts previously received from donors have been transferred among net asset categories due to changes in donor designations.

2. Investments

The following is a summary of the investments held by the College as of June 30, 2007 and 2006:

	June 30, 2007		
	Cost Basis	Fair Value	Carrying Value
Cash and cash equivalents	\$ 40,058,378	\$ 40,058,378	\$ 40,058,378
Debt securities			

Occidental College
Notes to Financial Statements
June 30, 2007 and 2006

2. Investments (Continued)

The following schedule summarizes the College's investment return for the years ended June 30, 2007 and 2006:

	2007	2006
Dividends, interest and rents	\$ 13,410,533	\$ 11,024,099
Unrealized gains, net	33,426,437	19,094,448
Realized gains, net	<u>23,048,866</u>	<u>17,776,460</u>
	69,885,836	47,895,007
Less: Investment expense	(3,248,487)	(2,443,659)
Investment income designated for operations	<u>(14,141,594)</u>	<u>(13,101,322)</u>
Realized and unrealized gains, net of allocation to operations and investment expense	<u>\$ 52,495,755</u>	<u>\$ 32,350,026</u>

Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocations of pooled investment income are accounted for on a unit-market value method. The following schedule summarizes the College's pooled investments for the years ended June 30, 2007 and 2006:

	2007	2006
Unit-market value at end of year	<u>\$ 446.12</u>	<u>\$ 387.27</u>
Units owned		
Unrestricted		
Funds functioning as endowment	<u>176,298</u>	<u>176,659</u>
Total unrestricted	<u>176,298</u>	<u>176,659</u>
Permanently restricted		
Endowment funds	<u>671,108</u>	<u>638,385</u>
Total permanently restricted	<u>671,108</u>	<u>638,385</u>
Total units	<u>847,406</u>	<u>815,044</u>

At June 30, 2007 and 2006, investments include \$33,948,396 and \$31,535,349, respectively, in

Occidental College
Notes to Financial Statements
June 30, 2007 and 2006

3. Trust Deeds Receivable

The College held notes receivable from faculty members and administrators totaling approximately \$2,545,527 and \$2,749,000 at June 30, 2007 and 2006, respectively. These notes are included in the trust deeds receivable balance on the Balance Sheet and are recorded at cost. Such loans were issued under the College's housing assistance program, and are collateralized by first or second deeds of trust. Interest rates range from 5.0% to 6.61% with maturities up to 20 years. The College has \$300,000 and \$755,278 of non-interest-bearing loans included in this amount at June 30, 2007 and 2006, respectively.

4. Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and gift revenue in the appropriate net asset category. Contributions are recorded after discounting at the long-term AFR to the present value of future cash flows. The AFR ranged from 2.48% and 4.88% for the years ended June 30, 2007 and 2006. Amortization of the discount is included in gift revenue.

Contributions receivable are expected to be realized as follows:

	2007	2006
In one year or less	\$ 970,398	\$ 1,078,573
Between one year and five years	<u>1,445,351</u>	<u>1,276,752</u>
	2,415,749	2,355,325
Less: Discount	(136,358)	(105,395)
Allowance for uncollectible amounts	<u>(113,970)</u>	<u>(116,176)</u>
Contributions receivable, net	<u>\$ 2,165,421</u>	<u>\$ 2,133,754</u>

Contributions receivable at June 30, 2007 have the following restrictions:

Endowment for programs, activities and scholarships	\$ 1,630,680
Building construction	225,500
Education and general	<u>559,569</u>
Total	<u>\$ 2,415,749</u>

Occidental College
Notes to Financial Statements
June 30, 2007 and 2006

5. Property and Equipment

Property and equipment consists of the following at June 30, 2007 and 2006:

	2007	2006
Land and improvements	\$ 9,101,504	\$ 8,900,037
Buildings	111,777,479	109,880,737
Furniture and equipment	32,155,645	29,475,925
Construction-in-progress	<u>27,543,586</u>	<u>4,282,368</u>
	180,578,214	152,539,067
Less: Accumulated depreciation	<u>(74,900,569)</u>	<u>(70,400,188)</u>
Property and equipment, net	<u>\$ 105,677,645</u>	<u>\$ 82,138,879</u>

Depreciation expense for the years ended June 30, 2007 and 2006 was \$4,500,381 and \$4,571,691, respectively.

6. Bonds Payable

Bonds payable at June 30, 2007 are summarized as follows:

	Authorized and Issued	Remaining Interest Rates	Remaining Bonds Outstanding	Deposits with Bank Trustees
1979 HUD Dormitory Bonds				
Series D	<u>\$ 419,000</u>	3.00%	<u>\$ 196,000</u>	<u>\$ 150,221</u>
Total				
California Educational Facilities Authority ("CEFA") Revenue Bonds				
Series 2005A & 2005B	<u>70,335,000</u>	3.00 to 5.25%	<u>70,335,000</u>	
Total	<u>\$ 70,754,000</u>		<u>\$ 70,531,000</u>	<u>\$ 150,221</u>

Occidental College
Notes to Financial Statements
June 30, 2007 and 2006

6. Bonds Payable (Continued)

Future principal payment requirements on the bonds payable are summarized as follows:

Year Ending June 30,	1979 HUD Dormitory Bonds	Series 2005A & 2005B CEFA Bonds	Total
2008	\$ 12,000	\$ 1,165,000	\$ 1,177,000
2009	13,000	1,195,000	1,208,000
2010	13,000	1,240,000	1,253,000
2011	14,000	1,275,000	1,289,000
2012	14,000	1,325,000	1,339,000
2013 and thereafter	<u>130,000</u>	<u>64,135,000</u>	<u>64,265,000</u>
	<u>\$ 196,000</u>	<u>\$ 70,335,000</u>	<u>\$ 70,531,000</u>

The estimated fair value of the College's bonds payable was approximately \$71,838,808 and \$71,111,733 at June 30, 2007 and 2006, respectively. This fair value was estimated based upon the discounted amount of future cash outflows based on current rates available to the College for debt of the same remaining maturities.

Dormitory Bonds

Dormitory bonds are collateralized by mortgages on certain dormitories, net revenues from operations of certain dormitories, and student tuition fees not to exceed \$24,000 in any one year. The bonds are currently redeemable at prices stipulated in the bond indenture agreements.

Under terms of the bond indentures, semiannual payments are required to be paid to a trustee for bond service in amounts sufficient to fund current

Occidental College
Notes to Financial Statements
June 30, 2007 and 2006

7. Net Assets

Net assets consist of the following at June 30, 2007 and 2006:

	2007	2006
Net assets		
Unrestricted		
Designated – educational and general	\$ 10,230,675	\$ 9,129,913

Occidental College
Notes to Financial Statements
June 30, 2007 and 2006

9. Fundraising Expenses

During the years ended June 30, 2007 and 2006, the College incurred fundraising expenses of approximately \$3,151,000 and \$3,180,000, respectively, exclusive of expenses for Alumni Relations and Public Relations.

10. Commitments and Contingencies

In connection with certain other equity investments, the College has committed to make additional investments totaling approximately \$16,397,800 over the next several years.

In the normal course of operations, the College is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations

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The accompanying notes are an integral part of this Schedule.

Occidental College
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Grant Period	CFDA No.	Expenditures
MAJOR PROGRAMS (Continued)			
<u>Direct Funding (Continued)</u>			
<u>Research and Development (Continued)</u>			
Department of Agriculture			
National Farm to School Training Project	9/1/04 - 8/31/06	10.225	\$ 18,026
Total Department of Agriculture			18,026
National Institutes of Health			
Healthy Food, Healthy Schools, Healthy Communities	9/1/03 - 6/30/07	93.113	171,216
Total National Institutes of Health			171,216
National Institutes of Standards and Technology			
NIST Boulder SURF	5/1/06 - 9/15/06	11.609	2,000
Total National Institutes of Standards and Technology			2,000
Total Research and Development			629,999
Total Major Programs			2,226,683

The accompanying notes are an integral part of this Schedule.

Occidental College
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through
Grantor/Program Title

CFDA No.

Expenditures

NON-MAJOR PROGRAMS

Direct Funding

National Endowment for the Humanities

The accompanying notes are an integral part of this Schedule.

Occidental College
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2007

The accompanying notes are an integral part of this Schedule.

Occidental College

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2007

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award transactions of Occidental College (the "College") recorded on the accrual basis of accounting.

Subrecipient

The College is the subrecipient of federal funds which are reported as expenditures and listed as federal pass-through funds.

2. Federal Perkins Loans

For the year ended June 30, 2007, the College advanced loans totaling \$702,842 for the Federal Perkins Loan Program (CFDA Number 84.038). As of June 30, 2007, \$5,372,521 of Federal Perkins Loans advanced by the College were outstanding.

3. Federal Family Education Loans

During the year ended June 30, 2007, the College processed \$6,524,106 in new loans under the Federal Family Education Loan Program, CFDA Number 84.032 (which includes Subsidized and Unsubsidized Stafford Loans and Parent Loans for Undergraduate Students).

**Report of Independent Auditors on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Trustees
Occidental College

We have audited the financial statements of Occidental College (the "College") as of and for the year ended June 30, 2007, and have issued our report thereon dated November 12, 2007. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

**Report of Independent Auditors on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Board of Trustees of
Occidental College

Compliance

We have audited the compliance of Occidental College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007, except as described in the second paragraph of this report. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major

In our opinion, based on our audit and the reports of other auditors, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control over Compliance

Occidental College
Independent Auditors' Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that

Occidental College
Independent Auditors' Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

Section II – Financial Statement Findings

No reportable matters.

Section III – Federal Awards Findings and Questioned Costs

Part A – Instances of Non-Compliance Related to the Audit of Major Programs

PwC noted no findings in the current year.

Part B – Other Reports

The College utilizes Affiliated Computer Services, Inc. Education Services ("ACS") as its institutional servicer to perform the Student Loan Billing and Due Diligence in Collection compliance requirements related to the Perkins loan program. The ACS Audits of Federal Student Financial Assistance Programs Report for the year ended June 30, 2007 includes two findings related to 90-day call procedures (Finding No. 07-1) and the recording of court litigation charges (Finding No. 07-2), as well as ACS management's responses to these findings.

Section IV – Prior-Year Findings and Questioned Costs

Finding 06-1 Title IV Funds Not Returned

No instances of noncompliance were noted during our FY07 testing.

Additionally, in response to the Department of Education letter dated July 6, 2007 which was received by the College in response to the FY06 Federal Awards Audit Report, we did test the return of these funds without exception.