STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2008

PERFORMED AS SPECIAL ASSISTANT AUDITORS
FOR THE AUDITOR GENERAL
STATE OF ILLINOIS

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION
FINANCIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

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CHICAGO STATE UNIVERSITY FOUNDATION
FOR THE YEAR ENDED JUNE 30, 2008

FOUNDATION OFFICIALS

Executive Director (May 1, 2008 to Current)	Mr. Katey Assem
Acting Executive Director (April 15, 2008 to April 30, 2008)	Ms. Yvette Clayton
Executive Director (through April 14, 2008)	Mr. Marquis Miller
Controller	Mr. Johnnie Barker

Foundation offices are located at:
9501 South Martin Luther King Drive
Cook Administrative Building
Room 322
Chicago, Illinois 60628

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Chicago State University Foundation was performed by De Raimo Hillger & Ripp.

Based on their audit, the auditors expressed an unqualified opinion on the Foundations' basic financial statements.

SUMMARY OF FINDINGS

The auditors identified matters involving the Foundation's internal control over financial reporting that they considered to be a significant deficiency. The significant deficiency is described in the accompanying Schedule of Findings on page 22 of this report, as finding 08-1, Uncollateralized Deposit Accounts and Untimely Bank Reconciliations.

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Foundation personnel at an exit conference on December 3, 2008. Attending were:

Representing Chicago State University Foundation	
Executive Director	Mr. Katéy Assem
Controller	Mr. Johnnie Barker
Representing Chicago State University	
Internal Auditor	Mr. John Meehan
Representing De Raimo Hillger & Ripp	
Partner	Ms. Ferne M. Hillger, CPA
Representing the Office of the Auditor General	
Audit Manager	Mr. Thomas L. Kizziah, CPA

The responses to the recommendations were provided by Mr. Katéy Assem in a letter dated December 3, 2008.

DE RAIMO HILLGER & RIPP
Certified Public Accountants & Business Consultants

655 N. La Grange Road • Suite 102 • Frankfort, IL 60423-2912 • Telephone (815) 469-7500 • Facsimile: (815) 469-6970

JOHN J. DE RAIMO
FERNE M. HILLGER
ROBERT J. RIPP

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the Chicago State University Foundation, as of and for the year ended June 30, 2008, which collectively comprise the Chicago State University Foundation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Chicago State University Foundation's management. Our responsibility is to express opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Chicago State University Foundation's basic financial statements as of and for the year ended June 30, 2007, on which we expressed an unqualified opinion on the basic financial statements in our report dated December 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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Chicago State University Foundation as of June 30, 2008 and the respective changes in financial position and cash flows thereof for the year 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 a report dated December 3, 2008 on our consideration of the Chicago State University Foundation's internal control over financial reporting and on 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

The *Management's Discussion and Analysis* on pages 5 through 7 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

De Raimo Hillger & Ripp

December 3, 2008

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

The purpose of this analysis is to provide an objective and easy-to-read analysis of the Foundation's financial activities based on currently known facts, decisions, and/or conditions. The attached Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows; and Notes to Financial Statements are required by GASB (Governmental Accounting Standards Board) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* GASB Statement No. 37. *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.*

These statements are presented in a "business-type activities" format that is a change from a "funds-group" format. The business-type activities format was developed to provide the reader with statements that could better indicate the available economic resources of the entity.

In order to understand the changes in the statements, below is a brief description of each statement. Due to the major changes, it may help you understand them better if you review the statements as you read the descriptions.

Statement of Net Assets
The Statement of Net Assets, indicates assets available for current use (current assets) and those assets to be held (noncurrent assets). This statement also indicates which liabilities are due within one year (current liabilities) and those due in a year or more (noncurrent liabilities). Net Assets, located at the bottom of the statement, is grouped by those assets available for unrestricted uses, assets restricted by the donor (or outside entity) for a certain purpose which can be used for current expenditures (expendable), or are to be held (nonexpendable. i.e., endowments), and those assets which are an investment in capital assets. During this period, the Foundation had a decrease in net assets of $265,669 as indicated on the Statement of Revenues, Expenses, and Changes in Net Assets.

Condensed Statement of Net Assets as of June 30, 2008 and 2007:

	2008	2007
Assets		
Current Assets	$ 2,445,498	$ 2,925,678
Non-Current Assets	3,419,574	3,590,099
Total Assets	$ 5,865,072	$ 6,515,777
Liabilities & Net Assets		
Current Liabilities	$ 739,823	$ 1,118,240
Non-Current Liabilities	2,623	9,242
Total Liabilities	742,446	1,127,482
Net Assets	5,122,626	5,388,295
Total Liabilities & Net Assets	$ 5,865,072	$ 6,515,777

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets basically indicates the activity for the period and its net effect on net assets. The activity from operations is shown first. As stated in the Notes to the Financial Statements, Operating Revenues include activities that have the characteristics of exchange transactions. In an exchange transaction both parties receive a material benefit from the transaction, such as the Foundation receiving contract payments for services. Nonoperating revenues (expenses) are listed after operating activities. Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Contributions are considered a nonoperating activity because the donor does not receive a material financial benefit from the transaction. Other nonoperating revenues are defined in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as investment revenues and capital expenditures. Other revenues, expenses, gains and losses are the last grouping of transactions. This grouping indicates contributions received for capital assets (such as equipment and buildings) and additions to permanent endowments as required by GASB Statement No. 34. Since the primary purpose of the Foundation is to raise contributions for the benefit of Chicago State University, and most of this activity is located after Operating Income (Loss), Net Increase (Decrease) In Net Assets may be a better indicator of the Foundation's core activity.

Condensed Statement of Revenues, Expenses and Changes in Net Assets
for the years ended June 30, 2008 and 2007:

	2008	2007
Total Operating revenues	$ 657,314	$ 754,485
Total Operating expenses	1,654,779	1,769,641
Operating Loss	(997,465)	(1,015,156)
Total Non-operating revenues	728,546	3,191,596
(Loss) Income before other revenues, expenses, gains, and losses	(268,919)	2,176,440
Other revenues, (expenses), gains and (losses)	3,250	4,318
(Decrease) Increase in Net Assets	(265,669)	2,180,758
Net Assets, Beginning of year	5,388,295	3,207,537
Net Assets, End of year	$ 5,122,626	$ 5,388,295

Statement of Revenues, Expenses and Changes in Net Assets (continued)
During fiscal year 2008, the Foundation experienced a $2,214,150 or 75% decrease in contributions compared to fiscal year 2007. This decrease was due to a decrease in restricted contributions and pledges. Dividend & interest income increased by $19,629 ($105,172 in fiscal year 2008 as compared to $85,542 in fiscal year 2007) or 23% compared to fiscal year 2007. In addition, net unrealized/realized gains decreased by $269,261 (<$54,663> in fiscal year 2008 as compared to $214,598 in fiscal year 2007) or 125% compared to fiscal year 2007.

The increase in funds available for investment during fiscal year 2008 resulted in the increase in interest income. Net unrealized/realized losses in fiscal year 2008 were mainly due to the unrealized loss of market value of investment funds. Dividend and interest income as well as net unrealized/realized <losses> gains are reported as components of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

The Foundation's support to the University was $864,381 (as compared to $1,038,851 in fiscal year 2007) in scholarships and program support for fiscal year 2008. For fiscal year 2008, the Foundation's contribution revenue was under its budget by $3,226,137. This decrease was mainly due to less contributions received for Chicago State University during fiscal year 2008. Actual expenses were under budgeted expenses as a result of less restricted fund expenditures and less scholarships awarded.

The Statement of Cash Flows
The Statement of Cash Flows' primary purpose is to provide relevant information about the cash receipts and cash payments of the Foundation during the period. The Foundation is required to use the direct method presentation for this statement, which indicates the cash effects categorized, by operations, noncapital financing transactions, capital and related financing transactions, and investing transactions. For the period ended June 30, 2008, the Foundation had a decrease of cash and cash equivalents in the amount of $970,913. The decrease in contributions and the timing of grant and other monies received as fiscal agent for the Chicagoland Regional College Program (CRCP) were the primary reasons for the $970,913 decrease in cash for the year ended June 30, 2008.

Facts, Decisions or Conditions Affecting the Future
The Chicago State University Foundation is expected to continue its involvement with the Chicagoland Regional College Program (CRCP) as the fiscal agent. This program is a joint venture of Chicago State University, Moraine Valley Community College, Morton College, Prairie State College, Olive-Harvey College, and United Parcel Service. Solicitation by Chicago State University and approval of a grant from the Department of Commerce and Economic Opportunity is expected for fiscal year 2009.

It is anticipated that Chicago State University support to the Foundation will continue to decrease and that the Foundation's solicitation for contributions and donations to the University initiatives will be expected to increase.

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION

STATEMENT OF NET ASSETS

AS OF JUNE 30, 2008

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2007

ASSETS	**2008**	**2007**
Current Assets		
Cash and cash equivalents	$ 597,007	$ 681,740
Cash and cash equivalents-restricted	935,271	1,821,451
Certificates of deposit	-	177,689
Other receivables	666,154	-
Pledges receivable	243,047	237,767
Allowance for bad debts	(2,305)	-
Accrued interest	6,324	7,031
Total Current Assets	2,445,498	2,925,678
Non-Current Assets		
Pledges receivable	855,000	916,082
Certificates of deposit-restricted	656,965	696,969
Endowment investments	1,907,609	1,977,048
Total Non-Current Assets	3,419,574	3,590,099
TOTAL ASSETS	$ 5,865,072	$ 6,515,777
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and other liabilities	$ 252,862	$ 588,821
Deferred revenue	25,000	5,000
Current portion of capital lease	9,745	6,058
Due to Chicago State University	452,216	518,361
Total Current Liabilities	739,823	1,118,240
Non-current Liabilities		
Capital lease	$ 2,623	$ 9,242
Total Non-current Liabilities	2,623	9,242
Total Liabilities	742,446	1,127,482
Net Assets		
Restricted for:		
Nonexpendable:		
Endowments	2,054,725	2,117,156
Expendable:		
Direct Programs and Scholarships	2,393,563	2,825,653
Unrestricted	674,338	445,486
Total Net Assets	5,122,626	5,388,295
TOTAL LIABILITIES AND NET ASSETS	$ 5,865,072	$ 6,515,777

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

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007

	2008	2007
Operating Revenues:		
CSU support	$ 393,755	$ 323,487
Other operating revenues	263,559	430,998
Total Operating Revenues	657,314	754,485
Operating Expenses:		
Program funds	427,138	586,323
General and administrative	379,879	448,711
Scholarships	263,863	211,965
Donations to CSU Departments & Colleges	190,144	199,155
CSU support	393,755	323,487
Total Operating Expenses	1,654,779	1,769,641
Operating Loss	(997,465)	(1,015,156)
Non-operating Revenues (Expenses):		
Contributions	721,122	2,934,204
Investment income, including net unrealized/realized (loss) gain of ($54,663) for 2008 and $214,598 for 2007, respectively)	50,509	300,140
Interest expense	(1,797)	(1,340)
Bad debt expense	(35,898)	-
In-kind CSU	(5,390)	(41,408)
Total Non-operating Revenue	728,546	3,191,596
Income (loss) before other revenues, expenses, gains and losses	(268,919)	2,176,440
Other Revenues, Expenses, Gains and Losses:		
Endowment contributions	3,250	4,318
Total Other Revenues, Expenses, Gains and Losses	3,250	4,318
Increase (decrease) in Net Assets	(265,669)	2,180,758
Net Assets, Beginning of Year	5,388,295	3,207,537
Net Assets, End of Year	$ 5,122,626	$ 5,388,295

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

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007

	2008	2007
Cash Flows from Operating Activities:		
Ticket sales and other income	$ 113,559	$ 88,498
Payments to vendors, direct program expenses	(1,355,197)	(3,247,607)
Payments for scholarships	(263,863)	(211,965)
Net cash used by operating activities	(1,505,501)	(3,371,074)
Cash Flows from Noncapital Financing Activities:		
Grants and donations	724,593	1,799,416
Grants received as fiscal agent	-	3,500,000
Grants disbursed as fiscal agent	-	(2,507,105)
CRCP program cash advances	3,615,863	3,336,309
CRCP program cash disbursements	(4,176,565)	(2,993,809)
Alumni membership dues	41,988	9,590
Pass thru scholarships	-	-
Pass thru scholarships payments	-	-
Net cash provided by noncapital financing activities	205,879	3,144,401
Cash Flows from Capital Financing Activities:		
Equipment purchase - note payable payments	(9,639)	(5,008)
Net cash used by capital financing activities	(9,639)	(5,008)
Cash Flows from Investing Activities:		
Interest and dividends on investments	105,879	79,656
Proceeds from sales and maturities of investments	1,457,434	1,365,251
Net (increase) decrease in certificates of deposit investments	217,693	(734,960)
Purchase of investments and other	(1,442,658)	(1,360,997)
Net cash (used) provided by investing activities	338,348	(651,050)
Net decrease in cash	(970,913)	(882,731)
Cash and cash equivalents - beginning of the year	2,503,191	3,385,922
Cash and cash equivalents - end of the year	$ 1,532,278	$ 2,503,191
Reconciliation of Net Operating Loss to Net Cash used by Operating Activities:		
Operating loss	$ (997,465)	$ (1,015,156)
Capital lease payments	7,842	3,668
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Non-cash revenue included in operating loss:		
Other income transferred from fiscal agent account	(150,000)	(342,500)
Net change in assets and liabilities included in operating activities:		
Other receivables	-	353,060
Accounts payable & other liabilities	(361,340)	(2,292,003)
Deferred revenue	-	5,000
Due to CSU	(4,538)	(83,143)
Net cash used by operating activities	$ (1,505,501)	$ (3,371,074)

Supplemental disclosure:

Cash paid for interest was $1,854 and $1,571 in fiscal year 2008 and 2007 respectively.

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

1. FINANCIAL REPORTING ENTITY

The CHICAGO STATE UNIVERSITY FOUNDATION (Foundation), State Entity 609, is an Illinois non-profit corporation created for the principal purpose of aiding Chicago State University (University), State Entity 608, in achieving its instruction, research, extension, and public service objectives. The Foundation is a "university related organization" under University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982, as amended in 1997. Note 9 describes related party transactions between the Foundation and the University.

For financial reporting purposes, the Foundation is a component unit of the University, which is a component unit of the State of Illinois. The financial balances and activities included in these financial statements are also included in the University's financial statements and the State's Comprehensive Annual Financial Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
For financial reporting purposes, the Foundation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Foundation's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as needed.

The Foundation prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB Statements Nos. 35, 37, and 38 provides a comprehensive perspective of the Foundation's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

In accordance with GASB Statement No. 20, the Foundation is required to follow all applicable GASB pronouncements. In addition, the Foundation applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The Foundation elected not to apply FASB pronouncements issued after November 30, 1989.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 40 *Deposit and Investment Risk Disclosures* was implemented in fiscal year 2005. In summary, GASB Statement No. 40 requires general disclosures by investment type with disclosures of the specific risks those investments are exposed to. Investments exposed to credit risk, custodial credit risk, concentration of credit risk (5% of total net assets), interest rate risk, and foreign currency risk must be disclosed, and the government reporting unit is required to describe their deposit or investment policies (or the lack of a policy) that relate to the risks stated above, if they are subject to them.

Cash and Cash Equivalents
Cash and cash equivalents include bank accounts and all highly liquid investments with an original maturity of three months or less when purchased.

Investments
Investments are reported at fair market value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31. Purchased investments are initially recorded at cost, investments or other assets received as gifts are initially recorded at the fair market value at the date of donation. All gains and losses arising from the sale, collection or other disposition of investments are accounted for in the accounts that owned such assets.

The Foundation's statement of investment objectives and guidelines requires assets to be invested with the care, skill, prudence, and diligence which a prudent person acting in a like capacity and familiar with such matters would make under conditions prevailing at the time. In order to minimize the risk of large losses, equity positions should not exceed 65% of the total portfolio. Investments in short-term fixed income securities are primarily to be (1) securities issued or guaranteed by the U.S. Government or its agencies, (2) certificates of deposit, or (3) high quality money market funds or commingled short-term funds of banks.

Deferred Revenue
Deferred revenue represents fees collected in fiscal year 2008 for the Gala that will take place in November 2008, fiscal year 2009.

Net Assets - Unrestricted
Net Assets - Unrestricted includes resources (unrestricted gifts and investment earnings) that are expendable for any purpose in operating the Foundation. The Foundation's Board has designated certain resources for specific expenditure purposes.

Net Assets - Restricted (Expendable)
Net Assets - Restricted (Expendable) is used to account for resources that are restricted by parties outside the University for expenditure for specific current operating purposes. The endowment funds' earned interest, which is available for scholarships, is reported in the Net Assets - Restricted (Expendable).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets - Restricted (Nonexpendable)

Net Assets - Restricted (Nonexpendable) – represents endowments which contain assets that are subject to the restrictions of donors that require that the principal of such gifts be invested in perpetuity and that only the interest and dividends be utilized. The Board has established Quasi-Endowment funds for similar purposes as Endowments. The Quasi-Endowment funds were established from Net Assets –Unrestricted funds and the principal may be expended in the future in accordance with the purposes established by the Foundation's governing board.

Classification of Revenues

Revenues are classified as Operating Revenues if they have the characteristics of exchange transactions, such as contract revenue with the University. Typically, non-operating revenues include revenues that have the characteristics of non-exchange transactions as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting,* and by GASB Statement No. 34 which would include grants classified as non-exchange transactions, contributions, and investment income.

Contributions

Contributions and grants received are recorded as unrestricted, restricted (expendable) or restricted (nonexpendable) revenue depending on the existence and/or nature of any donor restrictions.

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 as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax-Exempt Status

The Foundation, incorporated December 20, 1968, under the "General Not-for-Profit Corporation Act" of the State of Illinois, is an organization as described in Section 501 (c) (3) of the Internal Revenue Code and, accordingly, is exempt from Federal income tax. Contributions made to the Foundation are deductible by donors as provided in Section 170 of the Code.

Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment are recorded at cost at the date of acquisition or fair market value at the date of the donation. These purchases or donations are then transferred to the University at their fair market value and are included as In-kinds CSU on the Statement of Revenues, Expenses and Changes in Net Assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Totals

Comparative totals have been presented in the accompanying basic financial statements in order to provide an understanding of changes in the Foundation's financial position and operations. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2007, from which the summarized comparative totals were derived.

3. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

The Foundation is not required to and does not maintain a deposit account with the State Treasury. The Foundation maintains cash deposits and certificates of deposit at Chicago area financial institutions or their affiliated brokerage firms. The carrying amount and bank balances of the Foundation's deposits were:

Deposit type	Carrying Amount	Bank Balance
Cash in Bank (checking or savings)	$1,513,864	$1,515,812
Money Markets	6,085	6,085
Certificates of Deposit	669,294	669,294
Total deposit accounts	$2,189,243	$2,191,191
Less certificates of deposit (maturity > 90 days)		
Classified as investments	(656,965)	(656,965)
Total Cash & Cash Equivalents	$1,532,278	$1,534,226

Custodial Credit Risk

For deposit accounts, custodial credit risk is the risk that in the event of the failure of the bank, the Foundation will not be able to recover the value of its deposits. Of the Foundation's deposit accounts, $25,313 of the deposits exceed FDIC coverage and are not collateralized with securities in the name of the Foundation. The Foundation's policy limits direct deposits in any one bank to not exceed FDIC insurance coverage limits unless the deposits are collateralized or the financial institutions illustrates that they are in good financial status based on the Foundation's review of the financial institution's "CALL" report (Report of Conditions & Income).

4. INVESTMENTS

The carrying value (and market value) of the investment portfolio of the Foundation at June 30, 2008 is as follows:

	Fair Value
Money Funds and Other	$ 177,019
US Treasury and Agency Obligations	548,033
Common Stock	1,011,861
Corporate & Int'l Bonds	170,696
Total Endowment Investments	1,907,609
Certificates of Deposit (maturity > 90 days)	656,965
Total Investments	$2,564,574

Concentration of credit risk is the risk of loss attributed to the magnitude of an agency's investment in a singe user. All investments are insured or registered and held by the Foundation or its agent in the Foundation's name. The Foundation does not have a policy limiting its exposure to concentrations of credit risk.

The maturities of the debt securities investment portfolio (at market value) of the Foundation at June 30, 2008 was as follows:

	Maturity			
Debt Security	Less than 1 year	1 - 5 years	6 - 10 years	Total
US Treasury Obligations	$ -	$ 105,296	$ 119,096	$ 224,392
US Agency/Guaranteed Obligations	35,428	199,196	89,017	323,641
Total US Treasury/Agency	35,428	304,492	208,113	548,033
Corporate & Int'l Bonds	17,188	94,210	59,298	170,696
Total Debt Security Investments	$ 52,616	$ 398,702	$ 267,411	$ 718,729

4. INVESTMENTS (Continued)

The Standard & Poor's and Moody's Investors Service credit rating of the debt securities investment portfolio (at market value) of the Foundation at June 30, 2008 is as follows:

Credit Rating	Total Debt Securities
US Treasury/Agency/Guaranteed Obligations - no rating	$ 548,034
AAA/AAA	17,781
A1/A	10,229
A1/A+	7,723
A2/A	5,320
AA2/A+	13,661
AA2/AA	45,452
AA2/AA-	15,539
A3/A	5,308
A3/A+	5,040
AA3/A+	13,748
AA3/AA-	16,509
BAA1/BBB+	5,362
BAA2/BBB+	9,023
Total	$ 718,729

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligation. The Foundation's statement of investment objectives and guidelines states that investments in non-convertible fixed-income securities other than short-term securities will be restricted to issues with a maximum fixed or expected average maturity of ten years and will be made primarily in (1) securities issued or guaranteed by the U.S. government or its agencies, (2) marketable issues of non-nuclear utility companies rated at the time of purchase within the three highest grades assigned by Moody's Investor Services, Inc. (Aaa, Aa or A) or by Standard & Poor's (AAA, AA or A) and (3) bond mutual funds which invest primarily in bonds with rating of A and higher.

The Foundation's exposure to foreign currency risk (valued in U.S. dollars) is as follows at June 30, 2008:

Investment	Currency	Maturity	Fair Value
United Mexican States -USD Rating: BAA1/BBB+	U.S. Dollars	3/03/2015	$ 5,362
Total			$ 5,362

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation does not have a policy limiting its exposure to foreign currency risk.

5. ENDOWMENT TRUST ACCOUNTS

The Foundation assumed responsibility on behalf of the University for private gifts for scholarships. As of June 30, 2008, endowment trust accounts invested with Smith Barney reported at market totaled $1,907,609.

The Foundation Board resolved that endowments' dividend and interest income be used for scholarships and that a reasonable amount of dividends and interest be added back to the endowment principal. The portion of dividends and interest available for scholarships is transferred to the Expendable Restricted Funds. As of June 30, 2008, endowment dividends and interest transferred to the Expendable Restricted Funds totaled $47,561.

Gains or losses on sales of investments are retained or absorbed by the endowment fund principal.

6. PLEDGES RECEIVABLE

The Foundation has unconditional pledges receivable of $1,098,047 and $1,153,849 as of June 30, 2008 and 2007 respectively. The Foundation's allowance for bad debts for the pledges as of June 30, 2008 is $2,305. The maturities of the pledges receivable as of June 30, 2008 are as follows:

Receivable in less than one year	$ 243,047
Receivable over one year	855,000
Total unconditional pledges receivable	$ 1,098,047

7. ADMINSTRATIVE FEES AND OTHER OPERATING REVENUE

The Foundation generally transfers from the Expendable Restricted Funds to the Unrestricted Fund a 4% to 8% administrative fee on the Expendable Restricted Fund monetary gifts as they are received. Such fees transferred during the fiscal year amounted to $10,840. The Foundation waived its allocation of administrative fees for non-grant restricted funds due to a change in its policy for interest and dividend allocations. In addition, the Foundation accrued for its fiscal agent fee totaling $150,000 related to the Chicagoland Regional College Program. Other operating revenues also include alumni association membership fees and revenue from the Annual Gala.

8. NON-CASH TRANSACTIONS

Non-cash transactions have been excluded on the Statement of Cash Flows. During the year ended June 30, 2008, the Foundation's investments experienced a net unrealized loss of $95,751. The Foundation entered into a $5,390 capital lease transaction during the period ended June 30, 2008, see footnote # 10.

9. RELATED PARTY TRANSACTIONS

The University and Foundation agreed to a master contract, effective June 30, 1983 and revised February 1, 1989, which specifies the relationship between the two organizations as required by the University Guidelines adopted on November 30, 1982, as amended in 1997, by the Legislative Audit Commission. Under the terms of the contract, the Foundation is provided administrative support services by the University, such as maintenance, telephone, personnel, and property control. The Foundation does not directly pay the University for these services, which were valued at $393,755 for the current fiscal year. The Foundation reciprocates by providing fundraising and other services to the University. These services resulted in Foundation expenditures benefiting the University in the amount of $864,381 for the current fiscal year. Scholarships benefiting the University totaled $263,863 for the fiscal year ended June 30, 2008.

The Due to CSU balance of $452,216, consists primarily of a liability to the University for $394,714 in Chicago Regional College Program (CRCP) project costs and payroll reimbursements.

10. CAPITAL LEASE

The Chicago State University Foundation has entered into capital lease agreements with Steelcase Financial Services Inc. to acquire office equipment for $24,358. The equipment purchased by the capital lease agreements has been donated to Chicago State University. The following is a schedule by years of future minimum payments required under the leases as of June 30, 2008:

Year ending June 30,	
2009	$ 10,702
2010	2,675
Total lease payments	13,377
Less amount representing interest	1,009
Minimum lease payments	$ 12,368

Annual interest rates were 11.56% and 12.90% for the two leases.

11. OPERATING LEASE

On November 13, 2006, the Chicago State University Foundation entered into an operating lease agreement with Citicorp Vendor Finance, Inc. to use Net Solutions computer software. The lease is for 36 months (3 yrs.) with a monthly payment of $1,316.13. Rental expense for this lease was $15,793 for the year ended June 30, 2008.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2008 are:

Year ending June 30,

2009		$ 15,793
2010		5,265
	Total	$ 21,058

12. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to agree to the current period presentation. This reclassification had no effect on the net assets as of June 30, 2008.

13. SUBSEQUENT EVENT

As of October 31, 2008, the fair market value of the investment portfolio for the total endowment investments of the Foundation was $1,606,047

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REPORT 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*

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the Chicago State University Foundation as of and for the year ended June 30, 2008, which collectively comprise the Chicago State University Foundation's basic financial statements and have issued our report thereon dated December 3, 2008. 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 Chicago State University Foundation'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 and not for the purpose of expressing an opinion on the effectiveness of the Chicago Stat University Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chicago State University Foundation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings, finding 08-1, to be significant deficiencies in internal control over financial reporting.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chicago State University Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.* We noted certain matters which we have reported to management of the Chicago State University Foundation in a separate letter dated December 3, 2008.

The Chicago State University Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Chicago State University Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Foundation's Board of Directors, and Foundation management and is not intended to be and should not be used by anyone other than these specified parties.

De Raimo Hillger & Ripp

December 3, 2008

08-1 FINDING: UNCOLLATERALIZED DEPOSIT ACCOUNTS AND UNTIMELY BANK RECONCILIATIONS

Chicago State University Foundation (Foundation) maintained deposits in excess ($25,313) of the Federal Deposit Insurance Coverage (FDIC), did not maintain proper controls over bank accounts and did not perform timely reconciliations for all Foundation bank accounts. The following was noted:

- The Foundation's deposits (bank balances) at various financial institutions totaled $2,191,191 at June 30, 2008. These deposits exceeded the amount of FDIC coverage by $25,313 and were not fully collateralized.

- Of the twelve bank reconciliations required to be performed during the fiscal year, the Foundation performed all twelve (100%) untimely. These reconciliations were performed between 5 and 277 days late. The bank balance of this account was $1,369,378 at June 30, 2008. Additionally, ten of the twelve (83%) bank reconciliations were not initialed by the person performing the bank reconciliation nor the reviewer.

- Four of the twelve bank, certificate of deposit and investment accounts confirmed were noted to have authorized signers who were no longer employees of Chicago State University Foundation or Chicago State University. The authorized signers were changed on these accounts 4 to 7 months after the personnel changes occurred.

Good business practice requires that the Foundation obtain appropriate collateral for all funds held in their bank account. Good business practice also requires that all bank accounts are reconciled in a timely manner, and that the reconciliation be initialed by the preparer and the reviewer. Further the signature authority on all bank accounts should be updated timely for any changes in the authorized signers.

Foundation management stated that the balance in excess of the FDIC coverage was maintained to meet the monthly pay card disbursement funding for pay cards for a program that the Foundation manages. Also, the Foundation controller is the only authorized preparer of bank reconciliations.

Failure to obtain collateral could result in Foundation's funds being at risk in the event that the financial institution incurs financial difficulties and failure to perform timely monthly bank reconciliations and failure to update authorized signers in a timely manner, could result in errors or misappropriation of funds remaining undetected. (Finding Code No. 08-1)

RECOMMENDATION

We recommend the Foundation adhere to their policy to ensure its funds are insured for all bank accounts. We further recommend that the Foundation allocate adequate resources to ensure that all bank accounts are reconciled in a timely manner and controls are maintained over authorized signers on accounts.

08-1 FINDING: UNCOLLATERALIZED DEPOSIT ACCOUNTS AND UNTIMELY BANK RECONCILIATIONS (continued)

FOUNDATION RESPONSE

The Chicago State University Foundation concurs with the audit finding. The Foundation has established a collateral arrangement with the financial institution in which pay cards for one of the Foundation's programs is managed. The balance in excess of the FDIC coverage was maintained to meet the monthly pay card disbursement funding.

Financial records were not completed in a timely manner because the Foundation was undertaking a financial system conversion. In this regard, all documents of the prior accounting system needed to be reentered for the audit period.

The Foundation had notified all of its financial institutions of the personnel changes and names that needed to be deleted. The authorized signers for the main operating accounts were changed in a timely manner. The delay occurred, as a result of the accounting system conversion and appointments that had not been confirmed as permanent.

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION
PRIOR FINDINGS NOT REPEATED
FOR THE YEAR ENDED JUNE 30, 2008

A. During the prior financial statement audit, the Foundation did not properly report pledges receivable.

During the current period, the Foundation properly reported the current and non-current portions of the pledges receivable.