

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FOUNDATION

COMPLIANCE EXAMINATION
TWO YEARS ENDED JUNE 30, 2005

Performed as Special Assistant Auditor for
the Auditor General, State of Illinois

**State of Illinois
Northeastern Illinois University Foundation**

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**State of Illinois
Northeastern Illinois University Foundation**

Agency Officials

President	Randy Franklin
Vice- President	Myles Crane (7/1/04 to 1/24/05)
	John Gingell (1/24/05 to present)
Treasurer	Thomas Gramins, CPA
Executive Director, Marketing and Communications	Terry Bush
Administrative Assistant	Rhonda Eisenberg (7/1/04 to 12/31/04)
	Michael Partipilo (2/1/05 to present)

Agency Office is located at:

5500 North St. Louis Avenue
Chicago, IL 60625

NORTHEASTERN
ILLINOIS
UNIVERSITY
FOUNDATION

5500 NORTH ST. LOUIS AVENUE
CHICAGO, ILLINOIS 60625-4699
(773) 442-4209

September 30, 2005

E. C. Ortiz & Co., LLP
333 S. Des Plaines St. Suite 2-N
Chicago, Illinois 60661

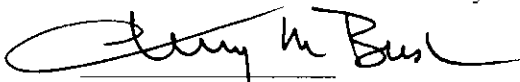
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Northeastern Illinois University Foundation (Foundation). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Foundation's compliance with the following assertions during the two-year period ended June 30, 2005. Based on this evaluation, we assert that during the years ended June 30, 2005 and June 30, 2004, the Foundation has materially complied with the assertions below.

- A. The Foundation has obligated, expended, received and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Foundation has obligated, expended, received and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Foundation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The revenues and receipts collected by the Foundation are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Foundation or held in trust by the Foundation have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Northeastern Illinois University Foundation



Terry M. Bush
Executive Director
Marketing and Communications

**State of Illinois
Northeastern Illinois University Foundation**

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITORS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	1

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
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FINDINGS (STATE COMPLIANCE)

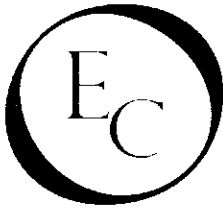
None

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

None

Exit Conference

The Foundation waived having an exit conference in a letter dated November 2, 2005, from the Foundation's Executive Director, Marketing and Communications, Terry Bush.



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Northeastern Illinois University Foundation (Foundation)'s compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2005. The management of the Foundation is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

- A. The Foundation has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Foundation has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Foundation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The revenues and receipts collected by the Foundation are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Foundation or held in trust by the Foundation have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Foundation's compliance with those requirements and

performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, the Foundation complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2005. The results of our procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General.

Internal Control

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Foundation's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

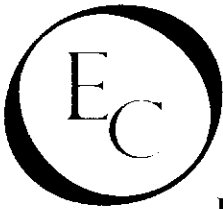
Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of Northeastern Illinois University Foundation (Foundation), a component unit of Northeastern Illinois University and the State of Illinois, as of and for the year ended June 30, 2005, which comprise the Foundation's basic financial statements, and have issued our report thereon dated September 30, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Foundation. The 2005 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on

which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Foundation's basic financial statements for the year ended June 30, 2004. In our report dated September 20, 2004, we expressed an unqualified opinion on those statements. In our opinion, the 2004 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004, taken as a whole. The financial statements of the Foundation as of June 30, 2003 were audited by other independent auditors whose report dated October 6, 2003 expressed an unqualified opinion on those statements.

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

E. C. Berry & Co LLP
September 30, 2005



E. CORTÉZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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 basic financial statements of the business-type activities of Northeastern Illinois University Foundation (Foundation) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. 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 Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of internal control deficiencies, which we have reported to management of the Foundation in a separate letter dated September 30, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

E-C BATTIS & CO. LLP
September 30, 2005

State of Illinois
Northeastern Illinois University Foundation

Current Findings

For the two years ended June 30, 2005

There were no current findings.

State of Illinois
Northeastern Illinois University Foundation

Prior Findings Not Repeated

For the two years ended June 30, 2005

There were no prior findings.

State of Illinois
Northeastern Illinois University Foundation
For the two years ended June 30, 2005

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Analysis of Significant Variations in Expenses
 - Analysis of Significant Variations in Revenues
 - Analysis of Significant Account Balances

- Analysis of Operations:
 - Foundation Functions and Planning Program
 - Average Number of Employees (Unaudited)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**State of Illinois
Northeastern Illinois University Foundation**

Analysis of Significant Variations in Expenses

For the two years ended June 30, 2005

A comparative analysis of expenses is provided below:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Personal service costs, facility use and other costs provided by NEIU	\$ 65,902	\$ 67,507	\$ 67,507
Fundraising	65,038	65,408	80,508
Grants and awards	20,885	29,163	24,006
Institutional support	180,432	130,626	116,111
Scholarship and fellowship	89,610	73,871	77,317
Total Expenses	<u>\$421,867</u>	<u>\$366,575</u>	<u>\$365,449</u>

Explanations of significant variations are as follows:

Fundraising – The Board of Directors allocated \$75,000 in fiscal year 2003 and this fund was used as seed money for formal fundraising efforts and a more aggressive annual fund campaign. The fundraising efforts produced results in fiscal years 2004 and 2005 requiring less fundraising expenses.

Institutional support – Institutional support increased in fiscal years 2005 and 2004 due mainly to increase in equipment purchases and special events expenses.

Scholarship and fellowship – Scholarship and fellowship expenses increased in fiscal year 2005 due to increased awarding of endowed scholarships and a larger number of scholarships provided by the annual fund.

**State of Illinois
Northeastern Illinois University Foundation**

Analysis of Significant Variations in Revenues

For the two years ended June 30, 2005

A comparative analysis of revenues is provided below:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Contributions	\$ 338,642	\$ 251,511	\$ 188,873
Investment income	184,329	170,265	70,868
Royalty income	-	75,000	75,000
Personal service costs, facility use and other costs provided by NEIU	65,902	67,507	67,507
Gain on sale of charitable remainder trust asset	142,421	-	-
Other revenues	12,685	17,228	20,019
Additions to permanent endowments	<u>453,265</u>	<u>21,216</u>	<u>93,693</u>
Total Revenues	<u>\$1,197,244</u>	<u>\$602,727</u>	<u>\$515,960</u>

Explanations of significant variations are as follows:

Contributions – Contributions increased primarily as a result of more aggressive fund campaign soliciting gifts from NEIU alumni, friends, faculty, and staff.

Investment income – Increase in investment income for fiscal year 2005 and 2004 was mainly due to the full implementation of the Foundation’s investment policy in 2004. The Foundation strives to diversify investments among both equity and fixed income securities to provide a balance that will enhance total return avoiding undue risk concentration in any single asset class or investment category.

Royalty income – The final payment for the guaranteed royalty for use of mailing lists of alumni was received in fiscal year 2004.

Gain on sale of charitable remainder trust asset – The condominium unit received by the Foundation under a charitable remainder trust was sold on October 29, 2004 for \$560,000 resulting in a net gain of \$142,421.

Additions to permanent endowments – Additions to permanent endowments increased in fiscal year 2005 was due mainly to the receipt of an endowment challenge grant from the U.S. Department of Education that matched gifts to the Foundation endowment. A total of \$288,683 in matching funds was received by the Foundation. A similar endowment challenge grant of \$56,819 was received in fiscal year 2003 and none was received in fiscal year 2004.

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Analysis of Significant Account Balances

For the two years ended June 30, 2005

Schedule of Cash and Investments

The Foundation's cash and investments consist of the following as of June 30, 2005 and 2004:

Account type	2005	2004
Checking	\$ 1,005	\$ 194
Money Market	225,723	345,027
U.S. Treasury Notes	154,257	159,915
Mutual Funds	3,108,584	1,636,071
Trust Account	-	195,881
	<u>\$ 3,489,569</u>	<u>\$ 2,337,088</u>

The Foundation's checking account and money market accounts are held in accounts at the Albany Bank and Trust Company, N.A., Chicago, Illinois and TCF National Bank, Franklin Park, Illinois. The U.S. Treasury Notes are held by Focused Investments, Chicago, Illinois. The Foundation's mutual funds are invested in the Vanguard Balanced Index Fund and held by the Vanguard Group, Philadelphia, PA. The Foundation's trust account is with First Union National Bank, Philadelphia, PA.

Charitable Remainder Trust

During the year ended June 30, 1998, the Foundation received a \$375,000 condominium subject to a life estate to the donor. The donor retained the right to live in the condominium until his death. During such time, the donor remained responsible for all related expenses. On October 29, 2004, the property was sold for \$560,000, resulting in a net gain of \$142,421.

State of Illinois Northeastern Illinois University Foundation

Analysis of Operations

Foundation Functions and Planning Program

For the two years ended June 30, 2005

The Foundation is located at 5500 North St. Louis Avenue, Chicago, Illinois, and is under the direction of Terry M. Bush, Executive Director of Marketing and Communications.

Organization and Philosophy

The Foundation was chartered in 1969 as an independent, charitable and not-for-profit corporation under the laws of the State of Illinois. Its primary purpose is to assist in the development of Northeastern Illinois University (University) through gifts given expressly for use by the University in pursuing its educational programs.

The business affairs of the Foundation are managed by a Board of Directors, which is comprised of representatives from corporate and professional constituencies.

Management Planning Program

The Foundation has a long-range plan for fundraising activities, as discussed in the next paragraph, authorized by the Foundation's Board of Directors.

Programs of the Foundation

It is the purpose of the Foundation to provide support to University programs where State funding is either unavailable or insufficient. Toward this end, an alumni and friends annual drive and various special events and departmental programs are conducted. Other gifts raised by the annual drive and/or through individual donations are earmarked by donors for support of various programs, departments or where the need is greatest.

Various constituencies and friends of the University have made donations to the Foundation for the establishment of scholarships and in support of projects. Funds for endowments for appropriate University purposes are also sought, as well as gifts-in-kind for approved University programs.

Auditors' Assessment

A formal planning process exists at the Foundation. This process has been designed and implemented to meet the needs of the Foundation.

State of Illinois
Northeastern Illinois University Foundation

Analysis of Operations

Average Number of Employees (Unaudited)

For the two years ended June 30, 2005

There were no employees of the Foundation for the two years ended June 30, 2005. The weighted average number of full-time equivalent University employees assigned to the Foundation was 1.30 for the years ended June 30, 2005 and 2004.