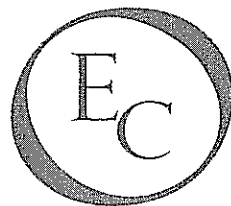


**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FOUNDATION**

**COMPLIANCE EXAMINATION
TWO YEARS ENDED JUNE 30, 2007**

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



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

**State of Illinois
 Northeastern Illinois University Foundation
 Compliance Examination
 For the Two Years Ended June 30, 2007**

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The Foundation's financial statement report for the year ended June 30, 2007, which includes the report of independent auditors, management's discussion and analysis, basic financial statements, supplementary information, and the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with <i>Government Auditing Standards</i> has been issued separately.	
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**State of Illinois
Northeastern Illinois University Foundation**

Agency Officials

President

John Gingell

Vice- President

Jack Butler

Treasurer

Thomas Gramins, CPA

Executive Director, Marketing and Communications

Terry Bush

Director of Development

T. Sonia Arvanitis

Administrative Assistant

Michael Partipilo

Agency Office is located at:

5500 North St. Louis Avenue
Chicago, IL 60625

NORTHEASTERN ILLINOIS UNIVERSITY
F O U N D A T I O N

October 26, 2007

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, 2007. Based on this evaluation, we assert that during the years ended June 30, 2006 and June 30, 2007, 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. 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



T. Sonia Arvanitis

Director of Development

**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 Auditors' 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>Compliance</u>	<u>Financial</u>	<u>Prior</u>
<u>Finding</u>	<u>Report</u>	<u>Report</u>	<u>Compliance</u>
0	0	1	0
Repeated finding	0	0	0
Prior recommendation implemented or not repeated	0	0	0

Details of *Government Auditing Standards* findings are issues related to significant deficiencies and material weaknesses in internal control over financial reporting. Findings related to *Government Auditing Standards* have been issued separately with the Foundation's Financial Statement Audit.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Pages</u>	<u>Description</u>
CURRENT FINDING (<i>GOVERNMENT AUDITING STANDARDS</i>)		
07-1	29-30	Failure to Apply Appropriate Accounting Principles
CURRENT FINDINGS (STATE COMPLIANCE)		
None		

**State of Illinois
Northeastern Illinois University Foundation**

COMPLIANCE REPORT

SUMMARY OF FINDINGS, Continued

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

None

Exit Conference

The findings and recommendations were discussed with Foundation personnel at an exit conference on October 29, 2007. Attending were:

Representing Northeastern Illinois University Foundation

Director of Development
Board Treasurer

Ms. T. Sonia Arvanitis
Mr. Thomas R. Gramins, CPA
(Attended via teleconference)

Representing E.C. Ortiz & Co., LLP

Partner
Partner

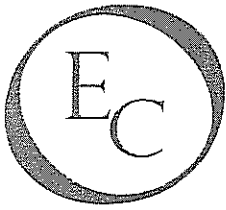
Ms. Stella Marie B. Santos, CPA
Ms. Gilda M. Belmonte, CPA, CIA

Representing the Office of the Auditor General

Audit Manager

Mr. Thomas L. Kizziah, CPA

Responses to the recommendations were provided by T. Sonia Arvanitis in a letter dated October 29, 2007.



**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's (Foundation) 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, 2007. 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.

We conducted our examination 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 listed in the first paragraph of this report 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 listed in the first paragraph of this report during the two years ended June 30, 2007. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report has been reported in a separate letter to your office.

Internal Control

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Foundation's internal control over compliance with the requirements listed in the first paragraph of this report 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, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement 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 noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report 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 compliance that we consider to be material weaknesses, as defined above.

As required by the Audit Guide, an immaterial finding relating to an internal control deficiency excluded from this report has 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, 2007, which comprise the Foundation's basic financial statements, and have issued our report thereon dated October 26, 2007. 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 2007 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, 2007, 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, 2006. In our report dated October 20, 2006, we expressed an unqualified opinion on those statements. In our opinion, the 2006 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, 2006, taken as a whole.

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

E. C. Artiz & Co., LLP

October 26, 2007

State of Illinois
Northeastern Illinois University Foundation

Current Findings - Compliance
For the Two Years Ended June 30, 2007

There were no current findings.

State of Illinois
Northeastern Illinois University Foundation

Prior Findings Not Repeated - Compliance
For the Two Years Ended June 30, 2007

There were no prior findings.

State of Illinois
Northeastern Illinois University Foundation
For the Two Years Ended June 30, 2007

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 accountants' 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 accountants' 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, 2007

A comparative analysis of expenses is provided below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Personal service costs, facility use and other costs provided by NEIU	\$ 91,296	\$ 67,756	\$ 65,902
Fundraising	81,292	84,573	65,038
Grants and awards	53,455	19,128	20,885
Institutional support	203,323	205,527	180,432
Scholarship and fellowship	111,205	150,690	89,610
Total Expenses	<u>\$540,571</u>	<u>\$527,674</u>	<u>\$421,867</u>

Explanations of significant variations are as follows:

Personal service costs – increase mainly due to the Executive Director spending more time for Foundation activities which resulted to an increase in the percentage allocation of salaries from 10% in fiscal years 2006 and 2005 to 25% in fiscal year 2007.

Fundraising – increase in fiscal years 2007 and 2006 due mainly to increased fundraising efforts and more aggressive annual fund campaign which resulted to increase in contributions for these fiscal years.

Grants and awards – increase in fiscal year 2007 is mainly due to the \$20,000 support to research community grants administered by the NEIU Provost.

Institutional support – increase in fiscal years 2007 and 2006 due mainly to fundraising success making more funds available to support NEIU needs.

Scholarship and fellowship – increase in fiscal year 2006 due to the growth in gifts designated by donors for scholarships and a larger number of scholarships provided by the general scholarship fund (more funds due in part to Brommel Challenge). The fiscal year 2007 expenses are closer to the normal levels of awards.

State of Illinois
Northeastern Illinois University Foundation

Analysis of Significant Variations in Revenues

For the Two Years Ended June 30, 2007

A comparative analysis of revenues is provided below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contributions	\$ 297,352	\$ 250,954	\$ 338,642
Investment income	525,923	213,471	184,329
Personal service costs, facility use and other costs provided by NEIU	91,296	67,756	65,902
Gain on sale of charitable remainder trust asset	-	-	142,421
Other revenues	9,714	8,257	12,685
Additions to permanent endowments	<u>110,553</u>	<u>60,141</u>	<u>453,265</u>
Total Revenues	<u>\$1,034,838</u>	<u>\$600,579</u>	<u>\$1,197,244</u>

Explanations of significant variations are as follows:

Contributions – fiscal year 2005 was an exceptional fundraising year with the sale of the condominium and the receipt of Title V matching funds. Gifts of similar sizes were not received during fiscal years 2007 and 2006. The Foundation received new contributions in fiscal year 2007 for the Foreign Language fund and International Study Abroad fund.

Investment income – increase in fiscal year 2006 was mainly due to revision of the Foundation’s investment policy in January 2006. 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. The significant increase in fiscal year 2007 was due to the additional investments made for funds received for the Gaining Early Awareness and Readiness for Undergraduate Program (GEAR UP) scholarship fund of \$752k not yet awarded as of year-end and better market condition which resulted in the increase in market value adjustment, dividend income, and interest income.

Gain on sale of charitable remainder trust asset – the condominium unit received by the Foundation under a charitable remainder trust was sold in fiscal year 2005 resulting in a net gain.

Additions to permanent endowments – fiscal year 2005 additions were due to the proceeds from the sale of the condominium as noted above and from the receipt of an endowment challenge grant from the U.S. Department of Education that matched gifts to the Foundation endowment. A similar endowment challenge grant was not received in fiscal years 2007 and 2006. Additions for fiscal year 2007 were due to receipt of new endowments from three scholarships.

State of Illinois
Northeastern Illinois University Foundation

Analysis of Significant Account Balances

For the Two Years Ended June 30, 2007

Schedule of Cash and Investments

The Foundation's cash and investments consist of the following as of June 30, 2007 and 2006:

Account type	2007	2006
Checking	\$ 4,479	\$ 1,371
Money Market	161,910	181,063
U.S. Treasury Notes	75,105	75,668
Mutual Funds	4,570,071	3,315,151
	<u>\$ 4,811,565</u>	<u>\$ 3,573,253</u>

The Foundation's checking account and money market accounts are held in accounts at the Albany Bank, Chicago, Illinois and TCF Bank, Willowbrook, Illinois. The U.S. Treasury Notes are held by Wayne Hummer Investments LLC, Chicago, Illinois.

The Foundation's mutual funds are invested in the Vanguard Balanced Index Fund and Vanguard International Value Fund held by the Vanguard Group, Philadelphia, PA.

Investments increased primarily as a result of market value adjustments and unspent GEAR UP scholarship funds as of June 30, 2007.

Deferred Revenues

During the fiscal year, the Foundation received \$752,888 from the University to set-up a GEAR UP scholarship fund. As of June 30, 2007, no scholarships have been awarded, thus the funds received were recorded as deferred revenues. The funds were invested and restricted for use by the GEAR UP program.

State of Illinois Northeastern Illinois University Foundation

Analysis of Operations

Foundation Functions and Planning Program

For the Two Years Ended June 30, 2007

The Foundation is located at 5500 North St. Louis Avenue, Chicago, Illinois, and was under the direction of Terry M. Bush, Executive Director of Marketing and Communications through June 30, 2007.

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, Continued

Average Number of Employees (Unaudited)

For the Two Years Ended June 30, 2007

There were no employees of the Foundation for the two years ended June 30, 2007. The weighted average number of full-time equivalent University employees assigned to the Foundation was 1.40 and 1.30 for the years ended June 30, 2007 and 2006, respectively.