

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FOUNDATION**

**FINANCIAL AUDIT
YEAR ENDED JUNE 30, 2006**

Performed as Special Assistant Auditors 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
(7/01/05 to 1/22/06)

John Gingell
(1/23/06 to present)

Vice- President

John Gingell
(7/01/05 to 1/22/06)

Jack Butler
(1/23/06 to present)

Treasurer

Thomas Gramins, CPA

Executive Director, Marketing and Communications

Terry Bush

Administrative Assistant

Michael Partipilo

Agency Office is located at:

5500 North St. Louis Avenue
Chicago, IL 60625

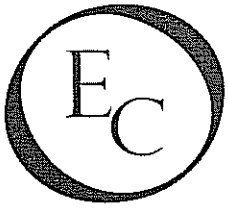
**State of Illinois
Northeastern Illinois University Foundation**

Financial Statement Report Summary

The audit of the accompanying basic financial statements of the Northeastern Illinois University Foundation (Foundation) was performed by E.C. Ortiz and Co. LLP.

Based on their audit, the auditor expressed an unqualified opinion on the Foundation's basic financial statements.

The auditors' report on the supplementary information presented in this 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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 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, 2006, which comprise the Foundation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Foundation's 2005 financial statements and, in our report dated September 30, 2005 we expressed an unqualified opinion on those statements.

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 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 financial position of the business-type activities of Northeastern Illinois University Foundation as of June 30, 2006 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The *Management's Discussion and Analysis* on pages 6 to 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006 on our consideration of the 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The *Schedule of Changes in Net Assets for the year ended June 30, 2006*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Changes in Net Assets for the year ended June 30, 2006* 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 taken as a whole.

E. C. Ortiz & Co., LLP

October 20, 2006

**State of Illinois
Northeastern Illinois University Foundation**

**Management's Discussion and Analysis
For the Year Ended June 30, 2006**

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 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 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 – Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

This report presents management's discussion and analysis of the Foundation's financial performance during the fiscal year ended June 30, 2006.

Financial Highlights

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the Foundation as of the end of the fiscal year (essentially a fiscal snapshot of the Foundation as of that point in time). Readers are able to determine the assets available to continue the Foundation's operations as well as determine the amount the Foundation owes its vendors. Net assets are divided into two major categories. Restricted net assets are further divided into expendable and nonexpendable. Expendable restricted net assets are available for expenditure but must be expended for the purposes imposed by the donors. The corpus of nonexpendable restricted net assets is not available for expenditure. Unrestricted net assets are available to the Foundation for any lawful purpose of the Foundation.

Condensed Statement of Net Assets

| | 2006 | 2005 |
|-------------------------|--------------------|--------------------|
| Total current assets | \$1,231,619 | \$1,216,125 |
| Total noncurrent assets | <u>2,366,473</u> | <u>2,298,484</u> |
| Total assets | 3,598,092 | 3,514,609 |
| | | |
| Current liabilities | <u>16,458</u> | <u>5,880</u> |
| | | |
| Total net assets | <u>\$3,581,634</u> | <u>\$3,508,729</u> |

**State of Illinois
Northeastern Illinois University Foundation**

**Management's Discussion and Analysis, continued
For the Year Ended June 30, 2006**

Total assets of the Northeastern Illinois University Foundation increased 2.4% in fiscal year 2006.

The Foundation uses its assets to support excellence in Northeastern Illinois University (NEIU) programs and scholarships in accordance with the wishes of the donors. Net assets represent the residual interest in the Foundation's assets after liabilities are deducted. The Foundation's net assets at June 30, 2006 and 2005 are summarized below. They are grouped by those net assets available for unrestricted uses, those restricted by the donor for particular purpose expenditures (expendable), and assets that are to be held in perpetuity (nonexpendable).

Summary of Net Assets

| | 2006 | 2005 |
|-------------------------|---------------------------|---------------------------|
| Restricted | | |
| Nonexpendable | \$2,344,758 | \$2,276,770 |
| Expendable | 709,679 | 633,904 |
| Unrestricted | <u>527,197</u> | <u>598,055</u> |
| Total net assets | <u><u>\$3,581,634</u></u> | <u><u>\$3,508,729</u></u> |

During the year ended June 30, 2006, Foundation's net assets increased \$72,905 or 2.1%.

Statement of Revenues, Expenses, and Changes in Net Assets

The purpose of the Statement of Revenues, Expenses, and Changes in Net Assets is to present the revenues received by the Foundation, both operating and non-operating, and expenses paid by the Foundation.

In comparing fiscal year 2006 and 2005, it is important to keep in mind that fiscal year 2005 was, by far, the most productive year in the history of the Foundation. The Foundation received many large gifts, including the sale of a charitable remainder trust asset and a Department of Education endowment challenge gift under Title V.

**State of Illinois
Northeastern Illinois University Foundation**

**Management's Discussion and Analysis, continued
For the Year Ended June 30, 2006**

Condensed Statement of Revenues, Expenses and Changes in Net Assets

| | 2006 | 2005 |
|-----------------------------------|--------------------|--------------------|
| Operating revenues | \$540,438 | \$743,979 |
| Operating expenses | <u>527,674</u> | <u>421,867</u> |
| Operating income | 12,764 | 322,112 |
| | | |
| Additions to Permanent Endowments | <u>60,141</u> | <u>453,265</u> |
| | | |
| Increase in Net Assets | 72,905 | 775,377 |
| Net Assets, Beginning of Year | <u>3,508,729</u> | <u>2,733,352</u> |
| Net Assets, End of Year | <u>\$3,581,634</u> | <u>\$3,508,729</u> |

Many sources make up the Foundation's operating revenues.

| | 2006 | 2005 |
|--|------------------|------------------|
| Operating revenues | | |
| Contributions | \$250,954 | \$338,642 |
| Investment income | 213,471 | 184,329 |
| Personal service costs, facility use and other costs provided by NEIU | 67,756 | 65,902 |
| Gain on sale of charitable remainder trust asset | - | 142,421 |
| Other revenues | <u>8,257</u> | <u>12,685</u> |
| | | |
| Total operating revenues | <u>\$540,438</u> | <u>\$743,979</u> |

Funds provided by NEIU represent personal costs, facility use and other costs covered by Northeastern Illinois University.

**State of Illinois
Northeastern Illinois University Foundation**

**Management's Discussion and Analysis, continued
For the Year Ended June 30, 2006**

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 year. The Foundation is required to use the direct method of presentation for this statement which indicates the cash effects categorized by operations, non-capital financing transactions, and investing transactions.

Cash Flows From Operating Activities:

Contributions and investment income have been discussed elsewhere in this report. Payments to suppliers and students increased \$95,278 or 27%. Spending has increased as more private contributions have become available to support the mission of NEIU.

Cash Flows From Investing Activities:

| | 2006 | 2005 |
|---------------------------------------|--------------------|-----------------------|
| Proceeds from sales of investments | \$ 420,065 | \$ 321,859 |
| Purchases of investment | <u>(623,383)</u> | <u>(1,517,493)</u> |
| Net cash used in investing activities | <u>(\$203,318)</u> | <u>(\$1,195,634)</u> |

Factors Affecting the Future

The future continues to hold tremendous growth opportunities for the NEIU Foundation. Two key factors – the role of the NEIU Foundation Board and a change in presidential leadership at the University – are likely to have greatest impact upon the Foundation's immediate future.

During the fiscal year 2006, the Board of Directors began a strategic planning process that has positioned the Foundation to better capitalize on opportunities. As a result of the planning, the Board has made a priority of strengthening policies and procedures that assure wise investment and expenditure of funds entrusted to the Foundation. The Board has renewed its commitment to its vital role in supporting the educational mission of Northeastern Illinois University. It is seeking opportunities to develop closer working relationships with the NEIU academic community.

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Northeastern Illinois University Foundation**

**Management's Discussion and Analysis, continued
For the Year Ended June 30, 2006**

Northeastern Illinois University is in the process of searching for a new president. After 12 years in office, President Salme Harju Steinberg will step down when a successor is named. In any institution, a change in leadership can bring new priorities, programs and management initiatives.

Northeastern Illinois University Foundation
Statement of Net Assets

| | June 30, | |
|---------------------------------------|-----------------|---|
| | 2006 | (Comparative Totals Only) 2005 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents (Note 2) | \$ 182,434 | \$ 302,068 |
| Short term investments (Note 2) | 1,046,060 | 910,731 |
| Prepaid expenses | 3,125 | 3,326 |
| Total current assets | 1,231,619 | 1,216,125 |
| Noncurrent assets | | |
| Endowment investments (Note 2) | 2,344,759 | 2,276,770 |
| Other assets (Note 3) | 21,714 | 21,714 |
| Total non-current assets | 2,366,473 | 2,298,484 |
| TOTAL ASSETS | 3,598,092 | 3,514,609 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | 16,458 | 5,880 |
| TOTAL LIABILITIES | 16,458 | 5,880 |
| NET ASSETS | | |
| Restricted for: | | |
| Nonexpendable | | |
| Scholarship and memorials | 2,344,758 | 2,276,770 |
| Expendable | | |
| Academics | 197,582 | 162,068 |
| Intercollegiate athletics | 6,356 | 7,414 |
| Scholarship and memorials | 166,552 | 181,950 |
| Other | 339,189 | 282,472 |
| Unrestricted | 527,197 | 598,055 |
| TOTAL NET ASSETS | \$ 3,581,634 | \$ 3,508,729 |

See accompanying notes to basic financial statements

Northeastern Illinois University Foundation
Statement of Revenues, Expenses and Changes in Net Assets

| | Year Ended June 30, | |
|---|---------------------|--------------------------------------|
| | 2006 | (Comparative Totals Only) 2005 |
| Revenues | | |
| Operating revenues | | |
| Contributions | \$ 250,954 | \$ 338,642 |
| Investment income | 213,471 | 184,329 |
| Personal service costs, facility use and other costs provided by NEIU (Note 4) | 67,756 | 65,902 |
| Gain on sale of charitable remainder trust asset | - | 142,421 |
| Other revenues | 8,257 | 12,685 |
| | <u>540,438</u> | <u>743,979</u> |
| Expenses | | |
| Operating expenses | | |
| Personal service costs, facility use and other costs provided by NEIU (Note 4) | 67,756 | 65,902 |
| Fundraising | 84,573 | 65,038 |
| Grants and awards | 19,128 | 20,885 |
| Institutional support | 205,527 | 180,432 |
| Scholarship and fellowship | 150,690 | 89,610 |
| | <u>527,674</u> | <u>421,867</u> |
| Total operating expenses | | |
| | <u>12,764</u> | <u>322,112</u> |
| Additions to Permanent Endowments | <u>60,141</u> | <u>453,265</u> |
| Increase in Net Assets | <u>72,905</u> | <u>775,377</u> |
| Net Assets, Beginning of Year | <u>3,508,729</u> | <u>2,733,352</u> |
| Net Assets, End of Year | <u>\$ 3,581,634</u> | <u>\$ 3,508,729</u> |

See accompanying notes to basic financial statements

Northeastern Illinois University Foundation
Statement of Cash Flows

| | Year Ended June 30, | |
|---|----------------------------|--------------------------------------|
| | | (Comparative Totals Only) |
| | 2006 | 2005 |
| Cash flows from operating activities: | | |
| Contributions received for operating purposes | \$ 249,879 | \$ 338,642 |
| Investment income | 213,471 | 184,329 |
| Payments to suppliers and students | (449,139) | (353,861) |
| Proceeds from sale of charitable remainder trust asset | - | 517,421 |
| Other operating receipts | 9,332 | 12,685 |
| Net cash provided by operating activities | 23,543 | 699,216 |
| Cash flows from noncapital financing activities: | | |
| Contributions for endowment purposes | 60,141 | 453,265 |
| Net cash provided by noncapital financing activities | 60,141 | 453,265 |
| Cash flows from investing activities: | | |
| Proceeds from sales of investments | 420,065 | 321,859 |
| Purchases of investment | (623,383) | (1,517,493) |
| Net cash used in investing activities | (203,318) | (1,195,634) |
| Net decrease in cash and cash equivalents | (119,634) | (43,153) |
| Cash and cash equivalents, beginning of year | 302,068 | 345,221 |
| Cash and cash equivalents, end of year | \$ 182,434 | \$ 302,068 |
| Reconciliation of net operating income to net cash provided by operating activities: | | |
| Operating income | \$ 12,764 | \$ 322,112 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Changes in assets and liabilities | | |
| Charitable remainder trust | - | 375,000 |
| Prepaid expenses | 201 | (359) |
| Accounts payable | 10,578 | 2,463 |
| Net cash provided by operating activities | \$ 23,543 | \$ 699,216 |

See accompanying notes to basic financial statements

**State of Illinois
Northeastern Illinois University Foundation
June 30, 2006**

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Northeastern Illinois University Foundation (the "Foundation") is an Illinois nonprofit corporation established in May 1969 to secure and manage private support to benefit Northeastern Illinois University (University), a State agency.

The Foundation is a "University Related Organization", as defined under the University Guidelines adopted by the Legislative Audit Commission in 1982, as amended in 1997, and a component unit of the State of Illinois for financial reporting purposes. Due to the significance of the financial relationship with the University, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB Statement No. 14, the Foundation is also included as a component unit of the University for financial reporting purposes. The financial balances and activities included in these financial statements are therefore also included as part of University's financial statements and the State of Illinois Comprehensive Annual Financial Report. All funds of the Foundation are locally administered and are neither subject to the State of Illinois appropriation process nor held in the State treasury.

Basis of presentation

These financial statements include all financial activities over which the Foundation exercises direct responsibility.

The financial statement presentation required by GASB Statements No.'s 35, 37 and 38 provides a comprehensive perspective of the Foundation's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

**State of Illinois
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June 30, 2006**

Notes to Basic Financial Statements, Continued

For financial reporting purposes, the Foundation is considered a special-purpose government engaged only in business-type activities. Accordingly, the accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting using the economic resources measurement focus. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when a liability has been incurred. All significant intra-agency transactions have been eliminated.

Operating income includes revenues and expenses related to the primary, continuing operations of the Foundation. Other revenues and expenses (if any) are classified as non-operating in the financial statements.

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.

In accordance with Governmental Accounting Standards Board (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.

Use of estimates in preparing the Financial Statements

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

**State of Illinois
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June 30, 2006**

Notes to Basic Financial Statements, Continued

Gift Revenues

Gifts of securities are recorded at fair value on the date of the gift. In accordance with the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are reported at fair value. Changes in unrealized gain (loss) are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

Gifts of property and equipment are stated at market values as of the date of the gift. Gifts of service are recorded as both revenue and expenses based on estimates of the fair market value of services received.

Property and equipment are stated at cost for purchased items. The Foundation does not hold any property that is subject to depreciation.

Operating 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 in 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 gifts and investment income. Because securing gifts and investing funds constitute the Foundation's primary operations, gift revenues, other than endowments, and investment income have been classified as operating revenues.

Cash and cash equivalents

The Foundation considers highly liquid investments with an original maturity of ninety days or less when purchased to be cash equivalents.

Investments

Investments purchased or received by gift are carried at market value. At June 30, 2006, investments consisted of U.S. Government securities and mutual funds.

**State of Illinois
 Northeastern Illinois University Foundation
 June 30, 2006**

Notes to Basic Financial Statements, Continued

Tax-exempt status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Net Assets of the Foundation are classified as follows:

Restricted Net Assets – Nonexpendable: Nonexpendable restricted net assets consist of endowment funds. Endowment funds include those funds where donors have stipulated, as a condition of the gift, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

Restricted Net Assets – Expendable: Expendable restricted net assets include resources in which the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Assets: Unrestricted net assets primarily represent resources used for transactions relating to the general operations of the Foundation, and may be used at the discretion of the Foundation’s Board to meet current expenses for any purpose.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A reconciliation of cash and investments as shown on the June 30, 2006 Statement of Net Assets is as follows:

| | | | |
|--------------------------------|--------------------|---------------------------|--------------------|
| Carrying amount of deposits | \$ 182,434 | Cash and cash equivalents | \$ 182,434 |
| Carrying amount of investments | 3,390,819 | Short term investments | 1,046,060 |
| | | Endowment investments | 2,344,759 |
| | <u>\$3,573,253</u> | | <u>\$3,573,253</u> |

**State of Illinois
 Northeastern Illinois University Foundation
 June 30, 2006**

Notes to Basic Financial Statements, Continued

Investments at June 30, 2006 consist of the following:

| <u>Investment Type</u> | <u>Fair Value</u> |
|---------------------------|-----------------------|
| U.S. Treasury Obligations | \$ 75,668 |
| Mutual Fund | <u>3,315,151</u> |
| | <u>\$ 3,390,819</u> |

Custodial Credit Risk

Custodial credit risk is the potential for a financial institution or counterparty to fail such that the Foundation would not be able to recover the value of deposits, investments or collateral securities that are in the possession of an outside party. The Foundation's policy does not address custodial credit risk.

As of June 30, 2006, bank balance of \$189,433 held by the Foundation are insured or collateralized with securities held in the Foundation's name.

Credit Risk

Credit risk is the risk that an issuer or counterparty to a debt investment will not fulfill its obligations.

The Foundation's investment policy limits investments in corporate securities rated "Baa" or higher.

Credit quality ratings are not required for U.S. Government securities that are explicitly guaranteed by the U.S. government. The Foundation's mutual funds are invested in the following funds held by the Vanguard Group, Philadelphia, PA:

| <u>Fund Name</u> | <u>Fair Value</u> |
|-----------------------------------|-----------------------|
| Vanguard Balanced Index Fund | \$ 3,044,319 |
| Vanguard International Value Fund | <u>270,832</u> |
| | <u>\$ 3,315,151</u> |

**State of Illinois
Northeastern Illinois University Foundation
June 30, 2006**

Notes to Basic Financial Statements, Continued

The Vanguard Balanced Index Fund has 60% of its assets in stocks and 40% in bonds. The dollar-weighted average credit quality of the Fund's holdings, as rated by Moody's Investors Service, Inc. was "Aa1", as of December 31, 2005.

The Vanguard International Value Fund is a value-oriented fund that invests primarily in the common stocks of foreign companies in a number of different countries throughout the world, without regard for the size (capitalization) of the companies.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's investment policy limits investments in fixed-income securities to no more than 40%. Interest rate risk is managed according to the purpose of the investments and the projected timeframe for the use of these assets.

The \$75,668 in U.S. Treasury obligations are held in book entry form at Focused Investments, and consist of a note with a maturity of August 15, 2007, and interest rate of 6.125%.

The Foundation's mutual funds portfolio invested in the Vanguard Balanced Index Fund and held by the Vanguard Group is managed to provide investment allocations, characteristics, and yields consistent with its benchmark, the Lehman Brothers Aggregate Bond Index, which measures a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States – including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than one year. Interest rate risk is managed by structuring the average maturity and duration of the investments to the benchmark. The bond portion of this fund has an average maturity of 7.2 years.

Country/regional Risk and Currency Risk

Country/regional risk is the risk that domestic events – such as political upheaval, financial troubles, or natural disasters – will weaken a country's or region's securities markets. Currency risk is the risk that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

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 June 30, 2006**

Notes to Basic Financial Statements, Continued

The Foundation's investments in the Vanguard International Value Fund, consisting of investments in foreign countries represent 8% of total Foundation investments and were distributed among the following currencies as of June 30, 2006:

| <u>Currency</u> | <u>Amount</u> |
|--|-------------------|
| Euro Current Unit | \$77,377 |
| Japanese Yen | 55,818 |
| United Kingdom British Pound | 54,248 |
| Other currencies, individually less than 5% of fund portfolio | 83,389 |
| | <u>\$ 270,832</u> |

3. NONCURRENT OTHER ASSETS

Noncurrent other assets include four Rolex watches and a sculpture which were donated to the Foundation.

4. NORTHEASTERN ILLINOIS UNIVERSITY AGREEMENT

On July 1, 2005, the Foundation entered into an agreement with Northeastern Illinois University. Under the terms of the contract, the Foundation aids and assists the University in developing facilities for broader educational opportunities for the service to its students, alumni, and citizens of the State of Illinois and of the United States by encouraging gifts of money, property, works of art, historical and other material having educational, artistic and historical value. In turn, the University will furnish certain services necessary to the operation of the Foundation. The contract maybe cancelled upon ninety days written notice by either party.

During fiscal year 2006, certain personal services and facilities of the University with an estimated value of \$67,756 were provided to the Foundation without charge. In turn, the Foundation provided the University with support in the amount of \$347,327 for the year ended June 30, 2006.

**State of Illinois
Northeastern Illinois University Foundation
June 30, 2006**

Notes to Basic Financial Statements, Continued

5. ENDOWMENT FUNDS

If a donor has not provided specific instructions, state law permits the Northeastern Illinois University Foundation Board (the Board) to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board is required to consider the Foundation's "long-and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions". Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

It is the Foundation's policy to distribute annually 5% of a trailing three or five year average of the Endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return from investment. However, it is understood that this total return basis for calculating spending is sanctioned by the Uniform Management of Institutional Funds Act (UMIFA), under which guidelines the University is permitted to spend an amount in excess of the current yield (interest and dividends earned), including realized or unrealized appreciation.

SUPPLEMENTARY INFORMATION

Northeastern Illinois University Foundation

Schedule of Changes in Net Assets
For the year ended June 30, 2006

| | Balance June 30, 2005 | Revenues | Expenditures | Transfers In (Out) | Balance June 30, 2006 |
|---|--------------------------|----------|--------------|-----------------------|--------------------------|
| UNRESTRICTED FUNDS | | | | | |
| <u>Board Designated</u> | | | | | |
| Development Office Fund | \$ - | \$ - | \$ 47,256 | \$ 47,256 | \$ - |
| NEIU Minority Scholarship | 158 | - | - | - | 158 |
| Royalty Income | 486,480 | 37,271 | - | - | 523,751 |
| Investment Account | 267 | - | - | - | 267 |
| Annual Fund | 27,950 | - | 75,736 | - | (47,786) |
| Total Board Designated | 514,855 | 37,271 | 122,992 | 47,256 | 476,390 |
| <u>Undesignated</u> | | | | | |
| General | 81,004 | 52,125 | 4,784 | (81,596) | 46,749 |
| Payments on Behalf of the Foundation | - | 67,756 | 67,756 | - | - |
| External Events | - | - | 2,193 | 2,193 | - |
| Development Accounts | 2,196 | - | 10,285 | 12,147 | 4,058 |
| Total Undesignated | 83,200 | 119,881 | 85,018 | (67,256) | 50,807 |
| Total Unrestricted Net Assets | 598,055 | 157,152 | 208,010 | (20,000) | 527,197 |
| RESTRICTED FUNDS | | | | | |
| EXPENDABLE | | | | | |
| Academics | 162,068 | 56,326 | 37,039 | 16,227 | 197,582 |
| Intercollegiate Athletics: | | | | | |
| Athletics Administration | 28 | 1 | - | - | 29 |
| Men's Basketball | 22 | - | - | - | 22 |
| Women's Basketball | 96 | 2 | - | - | 98 |
| Men's Tennis | 369 | 7 | - | - | 376 |
| Men's Baseball | 1,044 | 1 | 980 | - | 65 |
| Cross Country | 171 | 3 | - | - | 174 |
| Men's Swimming | 2,711 | 145 | - | - | 2,856 |
| Women's Tennis | 457 | 8 | - | - | 465 |
| Women's Softball | 1,997 | 93 | 260 | - | 1,830 |
| Women's Volleyball | 85 | - | 125 | 40 | - |
| Women's Swimming | 5 | - | - | - | 5 |
| Training Room | 108 | 2 | - | - | 110 |
| Student Athletic Club | 16 | - | - | - | 16 |
| Business Scholarship | 174 | 3 | - | - | 177 |
| Men's Soccer | 131 | 2 | - | - | 133 |
| Subtotal | 7,414 | 267 | 1,365 | 40 | 6,356 |
| Restricted Scholarships: | | | | | |
| A&E Kaplan Foundation Scholarship | 1,068 | 57 | - | - | 1,125 |
| Alfred Robinson Memorial | 54 | 1 | - | - | 55 |
| Andrew A. Hay Memorial Scholarship | 5,381 | 630 | 990 | - | 5,021 |
| Annette Hankin Scholarship | (750) | - | - | - | (750) |
| Avalon Industries Scholarship Fund | 101 | 2 | - | - | 103 |
| Bank-One Scholarship in Finance | 65 | 2,537 | 1,875 | - | 727 |
| Berlinger Music Scholarship Fund | 4,089 | 477 | 600 | 500 | 4,466 |
| Charas Kinkle Business Scholarship Fund | 78 | - | - | (78) | - |
| Charas Kinkle CICS Scholarship Fund | 2,842 | 109 | 900 | 105 | 2,156 |
| Charas Kinkle Minority Scholarship Fund | 26 | - | - | (26) | - |
| Civil Service Scholarship Fund | 208 | 79 | - | 205 | 492 |
| Commonwealth Edison | 29 | 1 | - | - | 30 |
| ConServe Scholarship Fund | - | 1,580 | - | - | 1,580 |
| Cultural Society, Panama | 957 | 51 | - | - | 1,008 |
| Eldridge Scales Fund | 935 | 50 | - | - | 985 |
| Faculty Professional Development | 210 | 4 | - | - | 214 |
| Gloria Washington Memorial Fund | (63) | - | - | - | (63) |
| GRC Scholarship Fund | - | 1,580 | - | - | 1,580 |
| H. Berlinger Memorial Scholarship Fund | 9,821 | 895 | - | 1,000 | 11,716 |

Northwestern Illinois University Foundation

Schedule of Changes in Net Assets
For the year ended June 30, 2006

| | Balance June 30, 2005 | Revenues | Expenditures | Transfers In (Out) | Balance June 30, 2006 |
|--|--------------------------|----------|--------------|-----------------------|--------------------------|
| Henry Russell Memorial Scholarship | - | 1,674 | 1,000 | | 674 |
| Honors Programs | 1,099 | 105 | 1,000 | 100 | 304 |
| Hursh Memorial Fund | 251 | 4 | - | - | 255 |
| J. Fruehling School in Counselor Education | - | 2,412 | | | 2,412 |
| Jack B. & Lily G Rose Scholarship | 1,616 | 46 | 750 | - | 912 |
| Kusol Varophas Pol Sc Grad Stud | 269 | 1,773 | 500 | 2,365 | 3,907 |
| L & E Keating Scholarship | 507 | - | 500 | - | 7 |
| Leibow Scholarship Fund | 25,237 | 3,229 | 6,250 | 2,000 | 24,216 |
| NEIU Foundation Scholarship | 66,053 | 36,376 | 74,280 | 4,423 | 32,572 |
| NEIU Scholarship for Pianists | 13,178 | 451 | 4,745 | - | 8,884 |
| Pi Sigma Alpha School Fund | 1,041 | 172 | - | 1,000 | 2,213 |
| Prada Educational Foundation | 176 | 3 | - | - | 179 |
| Puerto Rican Scholarship Fund | 1,013 | 117 | - | - | 1,130 |
| Russell C Eustice Prize | 791 | 37 | 100 | - | 728 |
| Ruth Hanna Memorial Scholarship in Music | - | 2,000 | | | 2,000 |
| S-B Power Tool Co., Scholarship | 631 | - | 630 | - | 1 |
| Schneider Family Scholarship for Spec. Educ. | 13,632 | 729 | 4,000 | 4,000 | 14,361 |
| Smith Barney Scholarship #3 | 1,562 | 63 | 375 | - | 1,250 |
| Special Scholarship Col of Education | 4,637 | 248 | - | - | 4,885 |
| Vera Milam Scholarship Fund | 600 | 32 | - | - | 632 |
| Veterans Scholarship | 25 | 1 | - | 25 | 51 |
| Subtotal | 157,369 | 57,525 | 98,495 | 15,619 | 132,018 |
| Other: | | | | | |
| Academic Affairs | 222 | 222 | 2,372 | 2,372 | 444 |
| Academic Development | - | 149 | | 3,100 | 3,249 |
| Accessibility Center | 122 | 2 | - | 40 | 164 |
| Adventure Education Program | 188 | 3 | - | - | 191 |
| Alumni Services & Programs | 3,978 | 423 | 3,018 | 121 | 1,504 |
| Asian Programs | 3,882 | 1,209 | 1,124 | 600 | 4,567 |
| Auditorium Fund | 1,945 | 1,934 | - | 362 | 4,241 |
| B & M Club | 1,100 | 10 | 482 | - | 628 |
| BGU Symposium | 1,834 | 100 | 3,310 | 1,376 | - |
| Bughouse | 177 | 54 | - | - | 231 |
| Business Services Bureau | 129 | 2 | - | - | 131 |
| Campus Events | - | - | 10,797 | 10,797 | - |
| Career Development & Placement | 2 | 3,152 | - | - | 3,154 |
| CCC/Parents Adv Council | 1,665 | 77 | 54 | - | 1,688 |
| Center For Inner Studies | 3,531 | 1,618 | - | 398 | 5,547 |
| Center for Teaching & Learning | 405 | 6 | - | - | 411 |
| Child Care Center | 18,574 | 12,064 | 5,918 | 1,392 | 26,112 |
| CICS Health Fair | 513 | 8 | - | - | 521 |
| Clean-up Buildings & Grounds | 877 | 41 | - | - | 918 |
| Coalition of University and Business | 57 | 1 | - | - | 58 |
| College of Educ Bldg Fund | 2,774 | 1,213 | - | 560 | 4,547 |
| Computerized Dynamics | 1,739 | - | 1,739 | - | - |
| Continuing Education | 357 | 6 | - | - | 363 |
| CTC/LEAP | 18,804 | 901 | - | - | 19,705 |
| CTC/Play for Peace | 155 | 74 | - | - | 229 |
| CTC/Upward Bound/Talent Search | 253 | 4 | - | - | 257 |
| Distinguished Lecture Series | 882 | 42 | - | - | 924 |
| Donald Bulucos | 2,085 | - | - | - | 2,085 |
| El Centro | - | 254 | | | 254 |
| Elizabeth Landerholm | 30 | - | - | - | 30 |
| Emily Nugent School Fund | 314 | 6 | - | - | 320 |
| Englewood School District | 274 | 4 | - | - | 278 |

Northeastern Illinois University Foundation

Schedule of Changes in Net Assets
For the year ended June 30, 2006

| | Balance June 30, 2005 | Revenues | Expenditures | Transfers In (Out) | Balance June 30, 2006 |
|--|--------------------------|----------|--------------|-----------------------|--------------------------|
| Ensemble Espanol | 7,518 | 9,970 | 13,200 | 7,200 | 11,488 |
| Environmental Studies | 13,797 | 2,743 | 325 | 25 | 16,240 |
| European Union Conference | 1,850 | 319 | - | - | 2,169 |
| Exercise/Alcohol Research | 581 | 31 | - | - | 612 |
| Eyewitness Event | 33 | 1 | - | - | 34 |
| Faculty Research Reserve | 694 | 755 | - | 100 | 1,549 |
| Fine Arts Initiative | 17,563 | 942 | - | 50 | 18,555 |
| Geography and Environmental Studies | 12,342 | 860 | 680 | 160 | 12,682 |
| Geography Literacy Project | 273 | 5 | - | - | 278 |
| Golden Eagle Scholarship Team | 6,067 | 324 | - | - | 6,391 |
| Great Lakes Research | 27 | - | - | - | 27 |
| Hillel | 152 | 3 | - | - | 155 |
| How Dwarfs Win Against Giants | 3,404 | - | 2,195 | - | 1,209 |
| International Study Abroad | 26,459 | 670 | 18,319 | 58 | 8,868 |
| Itkins Children Clinic | 10,739 | 547 | 500 | - | 10,786 |
| Joaquin Villegas | 708 | - | - | - | 708 |
| Judith Kaplan-Weinger | 370 | - | - | - | 370 |
| Kane Golf Outing | 17,220 | 12,892 | 8,253 | 1,000 | 22,859 |
| Kevin Coulson | 151 | - | - | - | 151 |
| L. Novakovich Award in Music | 507 | 5 | 750 | 500 | 262 |
| Landscaping | 1,422 | 89 | - | 250 | 1,761 |
| Laurie Fuller | 190 | - | - | - | 190 |
| Library | 9,456 | 7,695 | 8,400 | 1,975 | 10,726 |
| Lindman Puppetry Fund | 1,002 | 54 | - | - | 1,056 |
| Markham Prairie | 8,810 | 471 | - | - | 9,281 |
| Mazon Creek | 4,112 | 245 | 30 | 500 | 4,827 |
| Midwest Regional Chapter | 107 | 2 | - | - | 109 |
| Mossadegh Leadership Fund | 17,736 | 9,731 | - | (850) | 26,617 |
| Mostly Music At NEIU | 2,419 | 24,331 | 20,764 | 710 | 6,696 |
| Music Honorarium Fund | 66 | 1 | - | - | 67 |
| Nada Spasojevich Fund | - | 9,265 | 914 | 1,800 | 10,151 |
| NASAP | 2 | - | - | - | 2 |
| NEIU Campus Documentary | 504 | - | - | - | 504 |
| NEIU Opera Fund | 303 | 107 | 2,090 | 2,100 | 420 |
| Neuropsychology Laboratory Fund | - | 1,107 | - | 1,000 | 2,107 |
| Orientation Fees | - | 80 | - | 1,500 | 1,580 |
| Partners in Prevention | 218 | 4 | - | - | 222 |
| Pending Account | 282 | 4,708 | - | (4,300) | 690 |
| Persian Concert | 160 | 6,062 | 2,787 | - | 3,435 |
| Presidential Seminar | 2,591 | 139 | - | - | 2,730 |
| President's Fund | - | - | 7,544 | 7,544 | - |
| Project Torres | 7 | - | - | - | 7 |
| Projecto Pa'Lante | 219 | 4 | - | - | 223 |
| Rachel Adeodu | 2,500 | - | - | - | 2,500 |
| Russell Zanca | 282 | - | - | - | 282 |
| S. Koval Mem Collection | 3,768 | 201 | - | - | 3,969 |
| Science Fair Central | 1,416 | 442 | 186 | 101 | 1,773 |
| Selina Mushi | 295 | - | - | - | 295 |
| Sociology/Sienkowski | 558 | 81 | 1,551 | 2,500 | 1,588 |
| Sood Collection Fund | 200 | 500 | 672 | - | 28 |
| Stage Center Theatre | 1,763 | 152 | - | 100 | 2,015 |
| Student Account-Apocalypse | 30 | 1 | - | - | 31 |
| Student Retention Program | 4,960 | 265 | - | - | 5,225 |
| Student with Disabilities | 892 | 74 | - | - | 966 |
| Studies in Aging Adults | 134 | 2 | - | - | 136 |
| Summer Faculty Inst. on Learning Tech | 39 | 1 | - | - | 40 |
| Summer Inst for Islamic Studies | 5,306 | 5,924 | - | 5,000 | 16,230 |
| The Cliff Dwellers Arts Fdn Piano Series | 102 | 2 | - | - | 104 |
| The Reading Center | 97 | 256 | - | - | 353 |

Northeastern Illinois University Foundation

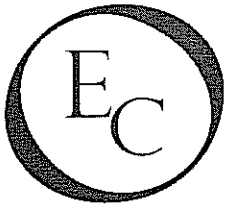
Schedule of Changes in Net Assets
For the year ended June 30, 2006

| | Balance June 30, 2005 | Revenues | Expenditures | Transfers In (Out) | Balance June 30, 2006 |
|--|--------------------------|----------|--------------|-----------------------|--------------------------|
| Thomas Ray Weaver | 2,414 | - | - | - | 2,414 |
| Toxicology of Phthalate Esters | 4,205 | - | 2,541 | - | 1,664 |
| Undistributed Income | 14,461 | 1,078 | - | - | 15,539 |
| University Events | - | 51 | - | - | 51 |
| University Video Service | 632 | 34 | - | - | 666 |
| William J. Pizzi | 493 | - | - | - | 493 |
| Women's Services Program | 530 | 210 | - | 50 | 790 |
| WZRD radio Station | 25 | 1 | - | 25 | 51 |
| Yihao/Phyliss Shabat | 441 | - | - | - | 441 |
| Subtotal | 282,472 | 127,016 | 120,515 | 50,216 | 339,189 |
| Scholarships and Memorials: | | | | | |
| Aixa Diaz Mem Schol Inc | - | 829 | - | - | 829 |
| Arturo Najera Schol Inc | 105 | - | 750 | 645 | - |
| B & E Rattner Schol Inc | 34 | - | 450 | 446 | 30 |
| B. Brommel Faculty Merit Fd | 7,388 | 276 | 5,000 | 5,310 | 7,974 |
| Brommel-Brady-Portokalis | - | - | 2,300 | 2,300 | - |
| Brommel-Elliott | - | - | - | 2,002 | 2,002 |
| Brommel-Feigenholtz | - | - | 2,300 | 2,300 | - |
| Brommel-Hanson | - | - | - | 2,002 | 2,002 |
| Brommel-Kramer | - | - | 4,600 | 4,600 | - |
| Brommel-Lindberg | - | - | 2,300 | 2,300 | - |
| Brommel-Manganello | - | - | 1,100 | 2,002 | 902 |
| Brommel-Mendelson-Hennington | - | - | 2,300 | 2,300 | - |
| Brommel-Nicosia-McGukin | - | - | 2,300 | 2,300 | - |
| Brommel-Ratner | - | - | 2,300 | 2,300 | - |
| Busse Mem Merit Fund Inc | 1,248 | 96 | 2,000 | 3,420 | 2,764 |
| C. Halberg Mem Award Inc. | 210 | 9 | - | 28 | 247 |
| Calixto Maso Schol Inc | 1,083 | 51 | 1,350 | 1,682 | 1,466 |
| Chuck Kane Mem Fd Inc | 724 | 41 | 500 | 910 | 1,175 |
| Class Gift Scholarship Fd Inc | 744 | 3 | 1,800 | 1,143 | 90 |
| D. Kuzuhara Award Inc | 37 | 11 | 1,000 | 1,274 | 322 |
| Elaine Helman Award Inc | 741 | 30 | - | 97 | 868 |
| Elvina David Mem Fd Inc | 1 | - | 10,001 | 10,000 | - |
| Endowment Other Income | 1,513 | - | - | (1,514) | (1) |
| F. Fritzman Mem Fd Inc | 224 | 10 | - | 44 | 278 |
| Gus Ziagos Mem Inc | 646 | 34 | - | 300 | 980 |
| H & B Rotman Schol Inc | 660 | 25 | - | 44 | 729 |
| J Rodriguez Schol Inc | 93 | 1 | 400 | 342 | 36 |
| J & E Krump Schol in Music or Art | - | 18 | - | 500 | 518 |
| Jenny & Edward Harju Mem. Inc. | 2 | 6 | 1,250 | 1,409 | 167 |
| Jerome Sachs Schol Inc | 606 | 1 | 900 | 307 | 14 |
| Jewell Berlinger Mem Inc | - | 50 | - | 1,386 | 1,436 |
| Joan Sachs Schol Inc | 390 | 17 | 300 | 371 | 478 |
| M. Kooyumjian Mem Fd Inc | 3,162 | 78 | 4,750 | 3,778 | 2,268 |
| Mex/Mex-Am Schol Inc | 337 | 12 | - | 8 | 357 |
| Mozzi Mem Fd for NEIU Reading Inc | 858 | 33 | - | 65 | 956 |
| NEIU Kane Schol Inc | 800 | 1 | 800 | 18 | 19 |
| NEIU/Inland Schol Inc | 1,823 | 98 | 2,500 | 3,411 | 2,832 |
| P. Levy Mem Fd Income | 321 | 1 | 850 | 566 | 38 |
| Peggy Candon Mem Inc | - | 17 | - | 477 | 494 |
| Peter Speltz Mem Inc | 276 | 12 | - | 54 | 342 |
| R. Williams Mem Fd Inc | - | 2 | 1,000 | 1,058 | 60 |
| Smith Barney Mercantile Schol Fund Inc | - | 42 | 375 | 1,534 | 1,201 |
| S.P. Appel Income | 2 | 19 | 600 | 1,133 | 554 |
| Sood Collec Endowm Fund Inc | 40 | 4 | - | 63 | 107 |
| The Brommel Distinguished Prof Award | 513 | - | 6,174 | 5,661 | - |
| Subtotal | 24,581 | 1,827 | 62,250 | 70,376 | 34,534 |
| Total Expendable Restricted Net Assets | 633,904 | 242,961 | 319,664 | 152,478 | 709,679 |

Northwestern Illinois University Foundation

Schedule of Changes in Net Assets
For the year ended June 30, 2006

| | Balance June 30, 2005 | Revenues | Expenditures | Transfers In (Out) | Balance June 30, 2006 |
|--|--------------------------|-------------------|-------------------|-----------------------|--------------------------|
| NONEXPENDABLE | | | | | |
| Scholarships and Memorials | | | | | |
| A.C. Shabica Memorial Scholarship | - | 21,697 | - | - | 21,697 |
| Aixa Diaz Memorial Scholarship | - | 21,274 | - | - | 21,274 |
| Arturo Najera Scholarship | 9,421 | 579 | - | (336) | 9,664 |
| B. Brommel Condo Scholarship Fd | 549,771 | 33,376 | - | (25,683) | 557,464 |
| Bernard and Ethel Rattner | 10,259 | 624 | - | (447) | 10,436 |
| Bernard Brommel Fund | 271,777 | 11,352 | - | (110,225) | 172,904 |
| Brommel-Mendelson-Hennington | 500 | 64 | - | 500 | 1,064 |
| Brommel-Nicosia-McGukin-Speake | - | 225 | - | 200 | 425 |
| Busse Mem Merit Fund | 99,910 | 6,145 | - | (3,420) | 102,635 |
| C. Kane NEIU Student Sch | 17,494 | 1,113 | - | (18) | 18,589 |
| Calixto Maso | 59,192 | 9,542 | - | (1,222) | 67,512 |
| Chuck Kane Memorial Fund | 34,979 | 2,382 | - | (910) | 36,451 |
| Clarice Halberg Memorial | 5,089 | 322 | - | (28) | 5,383 |
| Class Gift Scholarship Fd | 40,418 | 3,999 | - | (475) | 43,942 |
| Daniel Kuzuhara Award | 28,055 | 1,790 | - | (1,199) | 28,646 |
| Elaine Helman Memorial | 17,943 | 1,137 | - | (97) | 18,983 |
| Elvina David Mem Fund | 212,778 | 12,918 | - | (9,940) | 215,756 |
| Endowment Other | 371,347 | 23,745 | - | 1,514 | 396,606 |
| Frank Fritman Memorial | 5,741 | 363 | - | (44) | 6,060 |
| Harry and Bea Rotman Scholarship | 15,065 | 957 | - | (44) | 15,978 |
| Jenny & Edward Harju Mem. Schol. | 30,224 | 5,090 | - | 591 | 35,905 |
| Jerome Sachs Scholarship | 19,578 | 1,227 | - | (307) | 20,498 |
| Jewell Berlinger Scholarship | 29,663 | 2,045 | - | (886) | 30,822 |
| Joan Sachs Memorial Scholarship | 16,301 | 1,015 | - | (371) | 16,945 |
| John & Eva Krump Scholarship in Music or Art | 10,709 | 1,332 | - | 10,209 | 22,250 |
| Jorge Rodriguez Scholarship | 9,294 | 571 | - | (343) | 9,522 |
| L. Mozzi Memorial Fund | 19,774 | 1,255 | - | (65) | 20,964 |
| Mary L. Kooyumjian | 148,558 | 15,070 | - | (3,778) | 159,850 |
| Mexican American Scholarship | 7,376 | 469 | - | (8) | 7,837 |
| NEIU/Inland Scholarship | 112,055 | 7,983 | - | (3,411) | 116,627 |
| P. Levy Mem Scholarship | 18,973 | 1,401 | - | (316) | 20,058 |
| Peggy Candon Memorial Fund | - | 1,274 | - | 20,000 | 21,274 |
| Peter Speltz Memorial Scholarship | 7,057 | 446 | - | (54) | 7,449 |
| Ronald Williams Memorial | 22,648 | 1,375 | - | (1,058) | 22,965 |
| S.P. Appel Scholarship | 19,546 | 1,314 | - | 1,090 | 21,950 |
| Smith Barney Mercantile Fdn Scholarship | 32,839 | 1,994 | - | (1,534) | 33,299 |
| Sood Collection Endowment Fund | 2,204 | 1,732 | - | (63) | 3,873 |
| Ziagos Memorial Scholarship | 20,232 | 1,269 | - | (300) | 21,201 |
| Total Nonexpendable Restricted Net Assets | 2,276,770 | 200,466 | - | (132,478) | 2,344,758 |
| Total Restricted Net Assets | 2,910,674 | 443,427 | 319,664 | 20,000 | 3,054,437 |
| TOTAL FOUNDATION NET ASSETS | \$ 3,508,729 | \$ 600,579 | \$ 527,674 | \$ - | \$ 3,581,634 |



E.C. ORTIZ & 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, 2006, and have issued our report thereon dated October 20, 2006. 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.

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. Ortiz & Co., LLP

October 20, 2006