

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
FOUNDATION
COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2008

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

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2008**

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**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION**

AGENCY OFFICIALS

David A. Nelson	Chairman (Through November 16, 2006)
Robert L. Bovinette	Chairman (Effective November 17, 2006)
Robert L. Bovinette	Vice Chairman (Through November 16, 2006)
Christina Valaitis	Vice Chairman (Effective November 17, 2006)
Rege A. Eisaman	Treasurer (Through November 16, 2006)
Jeffrey A. Eckmann	Treasurer (November 17, 2006 through November 8, 2007)
William E. Taylor	Treasurer (Effective November 9, 2007)
Mallory M. Simpson	President and Secretary
Jean Jagodzinski, CPA	Controller

NIU Foundation Office is located at:

Altgeld Hall 135
DeKalb, Illinois 60115-2882



NORTHERN ILLINOIS UNIVERSITY FOUNDATION
DEKALB, ILLINOIS 60115-2882 • (815) 753-0279

March 31, 2009

Clifton Gunderson LLP
301 SW Adams, Suite 900
P.O. Box 1835
Peoria, IL 61656-1835

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 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, 2008. Based on this evaluation, we assert that during the years ended June 30, 2008 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 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,

Northern Illinois University Foundation

Mallory M. Simpson
President & CEO

Jean Jagodzinski
Controller

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
COMPLIANCE REPORT SUMMARY
For the Two Years Ended June 30, 2008**

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

Accountant's Reports

The Independent Accountant's 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>Current Report</u>	<u>Prior Reports</u>
Findings	2	3
Repeated Findings	2	0
Prior Recommendations Implemented or Not Repeated	1	0

Details of findings are presented in the separately tabbed report section of this report.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (<i>GOVERNMENT AUDITING STANDARDS</i>)			
08-1	10	Financial Statement Preparation	Material Weakness
08-2	11	Lack of a Formal Capitalization Policy	Significant Deficiency

FINDINGS (STATE COMPLIANCE)

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State compliance.

08-1	10	Financial Statement Preparation	Material noncompliance and material weakness
08-2	11	Lack of a Formal Capitalization Policy	Noncompliance and significant deficiency

PRIOR FINDINGS NOT REPEATED

A	12	Fraud Prevention and Detection Program
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**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
COMPLIANCE REPORT SUMMARY
For the Two Years Ended June 30, 2008**

Exit Conference

The findings and recommendations appearing in this report were discussed with Foundation personnel at an exit conference on February 18, 2009. Attending were:

Northern Illinois University Foundation

Mallory Simpson	President and Secretary
Jean Jagodzinski	Controller
Michael Cullen	Board of Directors-Audit Committee Chairman
John Castle	Board of Directors-Audit Committee Member

Clifton Gunderson LLP

Jeffrey R. Bonick, CPA	Partner
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Office of the Auditor General

Jon A. Fox, CPA	Audit Manager
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The responses to the recommendations were provided by Jean Jagodzinski in correspondence dated February 23, 2009.

**Independent Accountant's 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

and

Honorable Chairman and
Members of the Board of Directors
Northern Illinois University Foundation

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Northern 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, 2008. 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 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.

As described in finding 08-1 in the accompanying schedule of findings, the Foundation did not comply with compliance requirement C. Compliance with this requirement is necessary, in our opinion, for the Foundation to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Foundation complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2008. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as finding 08-2.

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.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 08-1 and 08-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that 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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings we consider item 08-1 to be a material weakness.

There were no immaterial findings that have been excluded from this report.

The Foundation's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Foundation's responses and, accordingly, we express no opinion on them.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the Foundation as of and for the years ended June 30, 2008, 2007, and 2006, and have issued our reports thereon dated March 31, 2009, March 10, 2008, and September 21, 2006, respectively. In our previous reports dated March 10, 2008 and September 21, 2006, we expressed unqualified opinions on the respective basic financial statements of the Foundation. 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 2008, 2007, and 2006 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 audits 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 years ended June 30, 2008, 2007, and 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, and Foundation Board and management, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Peoria, Illinois
March 31, 2009

**Independent Auditor's 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

and

Honorable Chairman and
Members of the Board of Directors
Northern Illinois University Foundation

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Northern Illinois University Foundation (Foundation), as of and for the year ended June 30, 2008, and have issued our report thereon dated March 31, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in findings 08-1 and 08-2 of the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08-1 to be a material weakness.

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*.

We also noted a certain matter which we have reported to management of the Foundation in a separate letter dated March 31, 2009.

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

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 Board and management, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Peoria, Illinois
March 31, 2009

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*
For the Two Years Ended June 30, 2008**

08-1 - Financial Statement Preparation

The Foundation did not provide the auditors with accurate financial statements.

Upon initial review of the draft statements provided by Foundation personnel, we raised various questions and made suggestions regarding the preparation of the cash flow statement. In our review we noted the following:

- Interest paid on note and bonds payable was understated by \$153,624,
- Payments for the construction of a building for NIU were understated by \$1,749,597, and
- Receipts of interest and dividend income were understated by \$450,155.

The Board of Directors and management share the ultimate responsibility for the Foundation's internal control system and the accuracy and completeness of the Foundation's financial statements and disclosures to ensure that those financial statements are presented in accordance with generally accepted accounting principles. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls.

According to Foundation personnel, a number of factors contributed to this result. Significant new and complex transactions, balancing insufficient resources, and timeline pressure led to a less than optimal process for review.

Lack of a strong internal process for preparation of the statement of cash flows and lack of a thorough review procedure could result in misstatements or omissions in the statement of cash flows. (Finding Code No. 08-1, 07-1)

Recommendation

We recommend the Foundation review its current process for preparation and review of the statement of cash flows and allocate the resources necessary to ensure a thorough review of the statement of cash flows by personnel possessing the appropriate skills and knowledge.

Foundation Response

The Foundation agrees. The NIU Foundation will carefully review the opportunities to improve the financial reporting and focus efforts and resources to improve this.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*
For the Two Years Ended June 30, 2008**

08-2 - Lack of a Formal Capitalization Policy

The Foundation does not have a formal capitalization policy in place.

The Foundation has \$17 million in capital assets. According to Foundation management, the Foundation has informal capitalization guidelines in place that are followed in preparing the financial statements; however, it has not adopted a formal written capitalization policy to determine at what dollar amount it is appropriate to capitalize various types of capital assets with useful lives that exceed one year.

Governmental Accounting Standards Board Codification section 2300.106a(7) requires disclosure of the reporting entity's capitalization policy in the notes to the financial statements. Accepted business practices require an organization to establish the dollar level that assets with useful lives exceeding one year will be capitalized.

Management officials stated they do not have a formal capitalization policy in place and do not believe a formal written policy is required.

Lack of a formal capitalization policy could lead to inconsistencies in the treatment of capital items in the financial statements. Inconsistencies in capitalizing items could lead to manipulation of the results of operations or it could create inefficiencies if an excessive amount of items are capitalized, inventoried and depreciated. (Finding Code Nos. 08-2, 07-3)

Recommendation

We recommend the Foundation adopt a formal capitalization policy for its various types of capital assets.

Foundation Response

There were no instances detected of assets not properly classified. This is the result of the NIU Foundation's operating practices that are strictly adhered to and prescribe a review process to ensure adherence. The Foundation will continue to evaluate and assess the suggestion of formalizing the capitalization policy.

Auditor's Comment

We believe the formal documentation of a capitalization policy provides a formal authorization for existing policies and assists in avoiding the confusion that can be associated with undocumented informal management operating practices.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
PRIOR YEAR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2008**

A. Fraud Prevention and Detection Program

The Foundation did not have a formal fraud risk assessment program in place. (Finding Code No. 07-2)

During the current fiscal year audit, it was noted that the Audit Committee of the Foundation Board of Directors met to discuss a draft risk assessment policy. Sufficient progress has been made on implementation of a fraud risk assessment policy, therefore, the finding is not repeated.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
SUPPLEMENTARY INFORMATION FOR STATE
COMPLIANCE PURPOSES
For the Two Years Ended June 30, 2008**

SUMMARY

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

- Fiscal Schedules and Analysis:
 - Schedule of Changes in Capital Assets
 - Comparative Schedule of Revenues
 - Analysis of Significant Variations in Expenses
 - Analysis of Significant Variations in Revenues
 - Analysis of Significant Variations in Account Balances
 - Comparative Schedule of Significant Net Asset Accounts -
Cash, Cash Equivalents, and Investments
 - Analysis of Receivables

- Analysis of Operations:
 - Agency Functions and Planning Program
 - Average Number of Employees
 - Service Efforts and Accomplishments (Unaudited)

- University Guidelines 1982, as Amended:
 - Special Data for Audits of Universities
 - Summary of Foundation Payments to the University

The accountant's 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 accountant's opinion, except for that portion marked "unaudited," on which no opinion is expressed, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
SCHEDULE OF CHANGES IN CAPITAL ASSETS
For the Years Ended June 30, 2008 and 2007**

	<u>Land</u>	<u>Building</u>	<u>Collections</u>	<u>Furniture</u>	<u>Accumulated Depreciation</u>	<u>Construction in Progress</u>	<u>Total</u>
BALANCE AS OF JULY 1, 2006	\$3,829,350	\$ 146,802	\$ 194,427	\$ 108,752	\$ (20,094)	\$ 832,265	\$ 5,091,502
Additions during 2007	-	-	107,839	616,784	(11,924)	10,247,050	10,959,749
Disposals during 2007	-	-	-	(34,384)	-	-	(34,384)
BALANCE AS OF JUNE 30, 2007	3,829,350	146,802	302,266	691,152	(32,018)	11,079,315	16,016,867
Additions during 2008	-	-	26,627	720,740	(413,753)	644,810	978,424
Transfers	-	<u>11,724,125</u>	-	-	-	<u>(11,724,125)</u>	-
BALANCE AS OF JUNE 30, 2008	<u>\$3,829,350</u>	<u>\$11,870,927</u>	<u>\$ 328,893</u>	<u>\$1,411,892</u>	<u>\$(445,771)</u>	<u>\$ -</u>	<u>\$16,995,291</u>

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
COMPARATIVE SCHEDULE OF REVENUES
For the Years Ended June 30, 2008, 2007, and 2006**

	For the Years Ended June 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Gifts	\$ 15,585,711	\$ 10,380,218	\$ 13,919,238
Investment income	(1,846,404)	7,039,198	3,565,157
Royalties	3,462	8,388	2,146
Rental Income	966,846	5,660	5,660
Income from Northern Illinois University service contract	538,690	538,690	523,074
Special events, merchandise sales, and miscellaneous income	<u>556,303</u>	<u>768,880</u>	<u>387,649</u>
TOTAL	<u><u>\$ 15,804,608</u></u>	<u><u>\$ 18,741,034</u></u>	<u><u>\$ 18,402,924</u></u>

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES
For the Two Years Ended June 30, 2008**

Significant variations in expenses are considered to be those varying between years by 20 percent or more.

	For the Years Ended June 30,			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	
Scholarships and fellowships	\$1,060,259	\$1,120,610	\$736,494	In fiscal year 2007, the Provost Office and the Development Team developed a coalition of campus personnel which now closely monitors available funds helping to ensure that scholarship gift funds are fully utilized.
Instruction	6,553,921	3,028,885	5,152,881	In both fiscal years 2006 and 2008, significant gifts in kind of software bundles and licenses were received. These are passed through to the University and expensed.
Research	54,616	81,984	40,862	Research expenses are contingent on research gift funds which are not received in a predictable manner.
Public service	943,512	624,827	582,663	The majority of public service expenses are from the public radio station. There is an ever present need to increase programming.
Academic support	151,872	105,135	42,343	Increased expenses are attributable to the increase in gifts received each year.
Operations and maintenance of plant	1,151,172	61,799	131,799	Purchases of office furniture for the Yordon Center in fiscal year 2008 were passed through to the University. In fiscal year 2006, several pieces of artwork were purchased for the Barsema Alumni & Visitors Center which were also passed through to the University.
Institutional support	278,958	175,162	329,735	Varying expenses are attributable to the variation in gifts received each year.
NIU Barsema Alumni & Visitors Center land and building transferred to NIU	-	-	5,549,024	Costs of the building were transferred to the University in 2006.
NIU Foundation fundraising	1,468,481	2,059,719	1,056,756	Fiscal year 2007 expenses relate to the public launch of the final phase of True North, NIU's first comprehensive campaign, costs which did not recur in 2008.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES
For the Two Years Ended June 30, 2008**

Significant variations in revenues are considered to be those varying between years by 20 percent or more.

	For the Years Ended June 30,			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	
Expendable gifts	\$6,028,715	\$6,007,982	\$4,608,666	Expendable gifts do not occur in a predictable pattern.
Gifts for capital purposes	2,156,577	1,265,175	3,857,167	Fiscal year 2006 gifts to the newly constructed Barsema Alumni and Visitors Center were at peak as the construction was completed. Yordon Center gifts account for the majority of the 2007 and 2008 gifts as the construction was started and completed.
Gifts of property and equipment	4,707,229	1,846,543	3,983,678	In both fiscal years 2006 and 2008, significant gifts in kind of software bundles and licenses were received.
Investment income	(1,846,404)	7,039,198	3,565,157	Broad investment market results account for the fluctuations.
Rental Income	966,846	5,660	5,660	The new Yordon Center was leased to the University starting in fiscal year 2008.
Other income	559,765	777,268	389,795	The University's Bowl Game appearance in December 2006 accounts for the increase in fiscal year 2007 income.
Gifts to permanent endowments	2,693,190	1,260,518	1,469,727	The True North Campaign along with several significant bequests and the overwhelming philanthropic response to the February 14th tragedy account for the major increase from 2007 to 2008.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN ACCOUNT BALANCES
For the Two Years Ended June 30, 2008**

Significant variations in account balances are considered to be those varying between years by 20 percent or more.

	<u>For the Years Ended June 30,</u>			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	
Cash and cash equivalents	\$ 1,427,266	\$ 455,540	\$ 4,727,117	The lead gift for the Yordon Center comprised most of the 2006 balance that was to be used for upcoming construction costs at the start of fiscal year 2007. The anticipated need for the expendable allocation from endowments was held in a cash position at June 30, 2008, an active decision of the finance committee.
Due from NIU	5	253,564	-	In 2007 and 2008, expense and payroll reimbursements were owed to the University at year end. In both years, the University owed the Foundation the second half of the services contract payment which offset the amount the Foundation owed the University.
Prepaid expenses	33,984	100	15,000	Prepaid expenses for future year events and service contracts were paid in fiscal year 2008 and 2006.
Unamortized debt issuance costs	195,934	216,210	-	Debt issuance costs also relate to the financing of the Yordon Center which commenced in FY 2007.
Investments	56,160,049	62,343,683	49,158,409	Additions to the portfolio and strong positive investment returns impacted FY 2007 favorably.
Construction in progress	-	11,079,315	832,265	The Jeffrey & Kimberly Yordon Center was completed and placed in service in August 2007 and is now recorded as a capital asset.
Capital Assets	16,995,291	4,937,552	4,259,237	The Jeffrey & Kimberly Yordon Center was completed and placed in service in August 2007 and is now recorded as a capital asset. Athletic equipment was also purchased in fiscal years 2007 and 2008 and is now capitalized as well.
Accounts payable and	741,731	2,760,118	1,063,558	Construction liabilities for the Yordon Center accrued liabilities comprised a significant portion of the balance at June 30, 2006 and 2007.
Accounts payable due to NIU	-	-	37,732	In 2006, expense and payroll reimbursements were owed to the University at year end. In 2006, the University owed the Foundation the second half of the services contract payment, which was paid in July 2006, which offset part of the amount the Foundation owed the University.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN ACCOUNT BALANCES
For the Two Years Ended June 30, 2008**

	<u>For the Years Ended June 30,</u>			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	
Notes payable	\$ 625,852	\$ 1,060,115	\$ 1,410,319	Notes payable relate to construction costs of the Barsema Alumni & Visitors Center that were financed. The balance is decreasing as the scheduled payments are made.
Bond payable	6,610,189	8,791,100	-	Bonds payable related to the construction costs of the Jeffrey & Kimberly Yordon Center that were financed in fiscal year 2007. In fiscal year 2008, scheduled payments were made which decreased the balance.
Contractual payments to income beneficiaries - trusts and annuities	755,101	735,296	206,025	There was an addition of a significant charitable remainder unitrust in FY 2007.
Endowment and gift accounts administered for NIU	3,232,221	3,602,897	2,913,882	Strong positive investment returns as they relate to the endowments administered for NIU impacted FY 2007 favorable.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
COMPARATIVE SCHEDULE OF SIGNIFICANT NET ASSET ACCOUNTS -
CASH, CASH EQUIVALENTS, AND INVESTMENTS
As of June 30, 2008, 2007, and 2006**

	<u>2008</u>		<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
Castle Bank N.A.	\$ 104,833	\$ 104,833	\$ 71,879	\$ 71,879	\$ 965,501	\$ 965,501
American Funds	3,284,143	3,606,491	3,084,143	3,569,431	-	-
Bayern LB	-	-	3,653,006	3,653,006	-	-
Charles Schwab Institutional	826,640	962,318	1,383,392	1,948,520	1,671,447	2,229,698
Common Fund	1,110,356	1,319,397	6,976,591	7,118,675	8,940,483	11,504,775
Highbridge Fixed Income Opportunity Fund Ltd.	3,000,000	3,169,344	3,000,000	3,075,048	-	-
National Bank & Trust Company of Sycamore	491,996	492,705	407,204	446,384	324,684	331,429
Gateway Funds	7,289,432	8,563,045	7,520,144	8,946,003	-	-
Northern Trust	1,122,817	992,986	1,136,730	1,112,210	-	-
Northgate Private Equity	1,566,131	1,786,230	1,089,523	1,137,112	407,017	410,362
Pershing	32,756,716	31,706,379	23,325,015	27,950,251	31,759,947	35,137,438
Pointer Offshore LTD	1,500,000	2,528,732	1,500,000	2,161,905	1,500,000	1,778,763
Private Advisors LLC	1,950,000	2,247,917	1,200,000	1,474,507	1,200,000	1,334,398
Miscellaneous	111,147	106,938	129,519	134,292	87,624	87,272
TOTAL	<u>\$ 55,114,211</u>	<u>\$ 57,587,315</u>	<u>\$ 54,477,146</u>	<u>\$ 62,799,223</u>	<u>\$ 46,856,703</u>	<u>\$ 53,779,636</u>

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
ANALYSIS OF RECEIVABLES
For the Two Years Ended June 30, 2008**

Receivables for the years ended June 30, 2008 and 2007 consist of the following:

A. Accounts Receivable

Amounts in this caption are usually insignificant and mainly result from loans or travel advances and interest on investments that are earned but not yet received. Accounts receivable were \$4,260 and \$4,979 at June 30, 2008 and 2007, respectively.

B. Pledges Receivable

Amounts in this caption represent signed donor pledges to donate money over a period of time. Terms of the pledges vary and the amount has increased significantly over recent years due to recent capital projects funded by the Foundation. Details of pledges receivable are as follows:

	<u>2008</u>	<u>2007</u>
Current pledges receivable	\$ 2,097,329	\$ 1,763,546
Noncurrent pledges receivable	3,723,732	3,146,459
Allowance for potentially uncollectible amounts	<u>(542,195)</u>	<u>(369,238)</u>
Net pledges receivable	<u>\$ 5,278,866</u>	<u>\$ 4,540,767</u>

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Year Ended June 30, 2008**

Northern Illinois University Foundation is located at Altgeld Hall on the campus of Northern Illinois University, DeKalb, Illinois. The Chair of the Foundation is Robert Bovinette and the President is Mallory Simpson.

The Northern Illinois University Foundation was incorporated under the laws of the State of Illinois on May 19, 1949, as a not-for-profit corporation. The primary function of the Foundation is that of aiding and assisting the University in achieving its educational research and service goals. This support is provided by the Foundation through activities, including scholarships, loans and grants, purchasing and paying for real estate, and receiving and holding gifts made for the benefit of the University. The Foundation also administers funds for the Northern Illinois University Alumni Association and acts as a trustee for educational, charitable, or other trusts placed under its stewardship.

The Foundation follows a program of activities under a five-year plan. This plan consists of a budget, which describes how funds will be generated and what funds will be expended.

Both the solicitation programs and the activities sponsored by the Foundation are revised annually. Once the programs have been revised and the current year and five-year budget programs have been updated, the annual budget is then submitted to the Board of Directors for their approval.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
AVERAGE NUMBER OF EMPLOYEES
For the Two Years Ended June 30, 2008 and 2007**

The weighted average number of full-time equivalent employees working for the Foundation was 5.8 and 7.0 for the years ended June 30, 2008 and 2007, respectively. These employees are paid by the University and the Foundation reimburses the University for wages.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Years Ended June 30, 2008, 2007, and 2006**

(Unaudited)

The NIU Foundation was formed to secure and manage private gifts to support NIU in its educational, research, and public service activities.

Output measures the quality and quantity of service provided. Distributions to the University is one output measurement of service provided by the Foundation.

	<u>Distributions to University</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
From Endowment Funds	\$ 1,015,122	\$ 1,029,487	\$ 726,813
Expendable gift funds	5,619,065	3,334,888	3,199,858
Fixed assets and other gifts in kind	<u>4,707,229</u>	<u>1,846,543</u>	<u>3,983,678</u>
	<u>\$11,341,416</u>	<u>\$ 6,210,918</u>	<u>\$ 7,910,349</u>

Outcome measures the results and progress toward established goals and objectives. Gifts and contributions revenue is one outcome measurement of the results achieved by the Foundation.

	<u>Contributions to the Foundation</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Unrestricted	\$ 248,922	\$ 330,688	\$ 257,289
Restricted	12,643,599	8,789,012	12,192,222
Endowment and similar gifts	<u>2,693,190</u>	<u>1,260,518</u>	<u>1,469,727</u>
	<u>\$ 15,585,711</u>	<u>\$ 10,380,218</u>	<u>\$ 13,919,238</u>

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
SPECIAL DATA FOR AUDITS OF UNIVERSITIES
For the Two Years Ended June 30, 2008**

The Auditor General requires that certain special data for audits of universities, specified in a memorandum dated July 25, 2000, be presented. The following information, lettered (a) through (u), although not required to be included in University Related Organization (URO) reports, is provided for information.

(a) Violation of University Guidelines 1982, as Amended

We noted no instances of noncompliance with University Guidelines during our audit of the Foundation for the two years ended June 30, 2008.

(b) Sources and Application of Indirect Cost Recoveries

Does not apply to the Foundation.

(c) Calculation Sheet for Indirect Cost Support Carryforward

Does not apply to the Foundation.

(d) Amount of Tuition Diverted to Auxiliary Enterprise Operations

Does not apply to the Foundation.

(e) List of Accounting Entities and Description of Sources and Purpose of Revenues

Does not apply to the Foundation.

(f) Financial Statements for Each Accounting Entity

Does not apply to the Foundation.

(g) Calculations of Current Excess Funds for Each Accounting Entity

Does not apply to the Foundation.

(h) Support to Auxiliary Enterprise from State Appropriated Funds

Does not apply to the Foundation.

(i) Statement of Receipts and Disbursements for Bond Indentures

Does not apply to the Foundation.

(j) Conformity of Bond Fund Accounting to Terms of Bond Issues

Does not apply to the Foundation.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
SPECIAL DATA FOR AUDITS OF UNIVERSITIES
For the Two Years Ended June 30, 2008**

(k) List of Noninstructional Facilities Reserves

Does not apply to the Foundation.

(l) List of Organizations Recognized as University Related Organizations (UROs)

The Foundation is recognized as a University Related Organization by Northern Illinois University (University).

(m) Amounts Paid by UROs to the University for Services Provided by the University

A summary of Foundation payments to the University is included on page 28 of this report.

(n) Amounts Paid by the University to UROs for Services Provided by the URO

The University paid the Foundation for services pursuant to the annual agreements between the Foundation and the University for the years ended June 30, 2008 and June 30, 2007. See page 28 for details.

(o) Amount of Unreimbursed Subsidies to UROs

For the years ended June 30, 2008 and 2007, there are no unreimbursed subsidies to the Foundation from the University.

(p) Debt Financing of UROs

Note 4 of the Foundation's financial statements describes debt incurred related to the construction of the Barsema Alumni & Visitors Center and debt incurred to finance the construction of the Academic and Athletic Performance Center.

(q) Schedule of Cash and Investments

A comparative schedule of significant net asset accounts - cash, cash equivalents, and investments is presented on page 20 of this report.

(r) Allocation Method on Interest from Pooled Investments

Income from investments in pooled funds has been allocated and credited back to the original sources.

(s) Costs Per Full-Time Equivalent Student

Does not apply to the Foundation.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
SPECIAL DATA FOR AUDITS OF UNIVERSITIES
For the Two Years Ended June 30, 2008**

- (t) Acquisition of Real Estate by University or URO Greater Than \$250,000 and Not Specifically Funded

None.

- (u) Issuance of Certificates of Participation (COPs) or Participation in Lease or Purchase Arrangements Involving COPs

None.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY FOUNDATION
SUMMARY OF FOUNDATION PAYMENTS TO THE UNIVERSITY
For the Two Years Ended June 30, 2008**

During fiscal years 2008 and 2007, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University paid \$538,690 in 2008 and 2007 for fundraising services. Additionally, the University provided services to the Foundation valued at \$1,390,314 and \$1,340,032 in 2008 and 2007, respectively. As required by the contract, the Foundation fully repaid the University for the services provided, using funds considered unrestricted for purpose of the University Guidelines computations.

Presented below is a summary of all funds that the Foundation gave to the University:

	<u>2008</u>	<u>2007</u>
Funds considered unrestricted for purposes of the Guidelines computations:		
Totally unrestricted - administrative services	\$ 1,390,314	\$ 1,340,032
Restricted only as to campus, college, or department and generally available for ongoing University operations:		
Support for University programs and departments	2,712,296	1,716,456
Administrative and office expense	1,579,360	1,802,419
Provided for library books, equipment, and property and improvements	<u>4,865,115</u>	<u>2,306,475</u>
Total funds considered unrestricted	<u>10,547,085</u>	<u>7,165,382</u>
Funds considered restricted for purposes of the Guidelines computations:		
Provided for scholarships and awards	1,021,380	1,115,160
Provided for library books, equipment, and property and improvements	322,584	189,142
Other restricted funds provided to the University:		
Restricted Fund	2,037,477	755,605
Endowment Fund	<u>271,685</u>	<u>385,380</u>
Total funds considered restricted	<u>3,653,126</u>	<u>2,445,287</u>
Total funds provided to the University by the Foundation	<u><u>\$ 14,200,211</u></u>	<u><u>\$ 9,610,669</u></u>