STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION

FINANCIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2005

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

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION
FINANCIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2005

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The following reports have been issued under separate cover:
Chicago State University Foundation Compliance Examination for the Two Years Ended June 30, 2005

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION
FOR THE YEAR ENDED JUNE 30, 2005

FOUNDATION OFFICIALS

Executive Director (April 18, 2005 to present)	Mr. Marquis Miller
Executive Director (July1, 2004 to December 31, 2004)	Mr. Katey Assem
Controller	Mr. Johnnie Barker

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

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION
FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of Chicago State University Foundation was performed by Nykiel, Carlin & Co., Ltd.

Based on their audit, the auditors 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.

NYKIEL·CARLIN
&CO. Certified Public Accountants/Business Consultants

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 Chicago State University Foundation, a component unit of Chicago State University and the State of Illinois as of and for the year ended June 30, 2005, which collectively comprise the Chicago State University Foundation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Chicago State University Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Chicago State University Foundation's basic financial statements as of and for the year ended June 30, 2004, on which we expressed an unqualified opinion on the basic financial statements in our report dated November 12, 2004.

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 the Chicago State University Foundation, as of June 30, 2005 and the respective changes in net assets and cash flows, thereof 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 8 through 11 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 a report on our consideration of the Chicago State University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.

200 East Court St., Suite 608 Kankakee, Illinois 60901 • Telephone 815-933-1771 • Fax 815-933-1163

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Chicago State University Foundation's basic financial statements. The *Schedule of Revenues and Expenditures of the Chicago Regional College Program – Budget and Actual* is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Revenues and Expenditures of the Chicago Regional College Program – Budget and Actual* 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 statement taken as a whole.

Nykiel, Carlin & Co., Ltd.

NYKIEL, CARLIN & CO., LTD.
Kankakee, Illinois

October 20, 2005

NYKIEL·CARLIN
&CO. Certified Public Accountants/Business Consultants

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 Chicago State University Foundation a component unit of Chicago State University and the State of Illinois, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chicago State University Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the Chicago State University Foundation in a separate letter dated October 20, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chicago State University Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other matters that we have reported to management of the Chicago State University Foundation in a separate letter dated October 20, 2005.

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

Nykiel, Carlin & Co., Ltd.

NYKIEL, CARLIN & CO., LTD.
Kankakee, Illinois
October 20, 2005

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

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

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

Statement of Net Assets
The Statement of Net Assets, indicates assets available for current use (current assets) and those assets to be held (noncurrent assets). This statement also indicates which liabilities are due within one year (current liabilities) and those due in a year or more (noncurrent liabilities). Net Assets, located at the bottom of the statement, is grouped by those assets available for unrestricted uses, assets restricted by the donor (or outside entity) for a certain purpose which can be used for current expenditures (expendable), or are to be held (nonexpendable. i.e., endowments), and those assets which are an investment in capital assets. During this period, the Foundation had an increase in net assets of $648,877 as indicated on the Statement of Revenues, Expenses, and Changes in Net Assets.

Condensed Statement of Net Assets as of June 30, 2005 and 2004:

	2005	2004
Assets		
Current Assets	$ 1,025,889	$ 2,470,301
Non-Current Assets	2,077,491	1,580,389
Total Assets	$ 3,103,380	$ 4,050,690
Liabilities & Net Assets		
Current Liabilities	$ 282,773	$ 1,778,960
Non-Current Liabilities	-	100,000
Total Liabilities	282,773	1,878,960
Net Assets	2,820,607	2,171,730
Total Liabilities & Net Assets	$ 3,103,380	$ 4,050,690

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets basically indicates the activity for the period and its net effect on net assets. The activity from operations is shown first. As stated in the Notes to the Financial Statements, Operating Revenues include activities that have the characteristics of exchange transactions. In an exchange transaction both parties receive a material benefit from the transaction, such as the Foundation receiving contract payments for services. Nonoperating revenues (expenses) are listed after operating activities. Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Contributions are considered a nonoperating activity because the donor does not receive a material financial benefit from the transaction. Other nonoperating revenues are defined in GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, such as investment revenues and capital expenditures. Other revenues, expenses, gains and losses are the last grouping of transactions. This grouping indicates contributions received for capital assets (such as equipment and buildings) and additions to permanent endowments as required by GASB Statement No. 34. Other revenues, expenses, gains and losses for the period ended June 30, 2005 includes a $100,000 write-off of a liability to Chicago State University. Since the primary purpose of the Foundation is to raise contributions for the benefit of Chicago State University, and most of this activity is located after Operating Income (Loss), Net Increase (Decrease) In Net Assets may be a better indicator of the Foundation's core activity. Total revenues represent CSU Support and other operating revenues.

Condensed Statement of Revenues, Expenses and Changes in Net Assets
for the years ended June 30, 2005 and 2004:
(certain 2004 amounts were reclassified to conform to the 2005 presentation)

	2005	2004
Total Operating revenues	$ 664,191	$ 609,648
Total Operating expenses	2,112,389	3,587,956
Operating Loss	(1,448,198)	(2,978,308)
Total Non-operating revenues	1,588,441	3,322,373
Income (loss) before other revenues, expenses, gains, and losses	140,243	344,065
Other revenues, (expenses), gains and (losses)	508,634	11,610
Increase (decrease) in Net Assets	648,877	355,675
Net Assets, Beginning of year	2,171,730	1,816,055
Net Assets, End of year	$ 2,820,607	$ 2,171,730

The Statement of Cash Flows

The Statement of Cash Flows' primary purpose is to provide relevant information about the cash receipts and cash payments of the Foundation during the period. The Foundation is required to use the direct method presentation for this statement, which indicates the cash effects categorized, by operations, noncapital financing transactions, capital and related financing transactions, and investing transactions. For the period ended June 30, 2005, the Foundation had a decrease of cash and cash equivalents in the amount of $1,581,981.

Facts, Decisions or Conditions Affecting the Financial Position

In fiscal year 2005, the Foundation received a $750,000, Department of Commerce and Economic Opportunity, grant for the Chicagoland Regional College Program (CRCP). This program is a joint venture of Chicago State University Foundation, Chicago State University, Moraine Valley Community College, Morton College, and United Parcel Service. The fiscal year 2004 $2.2 million grant for the CRCP had been received in June of 2004 and had not been fully disbursed by June 30, 2004. The disbursement of the remaining $2.2 million grant funding for the CRCP program was the primary reason for the $1,581,981 decrease in cash for the year ended June 30, 2005.

During fiscal year 2005, the Foundation experienced a $312,398 or 29% decrease in contributions compared to fiscal year 2004. This decrease was due to a decrease in the Annual Gala fundraising contributions, restricted scholarship contributions, and the Northeastern Illinois Food Security Study restricted funding. Dividend & interest income increased by $10,463 ($54,218 in fiscal year 2005 as compared to $43,755 in fiscal year 2004) or 24% compared to fiscal year 2004. In addition, net unrealized/realized gains increased by $6,456 ($39,997 in fiscal year 2005 as compared to $33,541 in fiscal year 2004) or 19% compared to fiscal year 2004. The upturn in the United States of America interest rates resulted in the increase of interest income, and the rebound in the value of investment stocks held resulted in the increased net unrealized/realized gains. Dividend and interest income as well as net unrealized/realized gains are reported as components of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. The decrease in the revenue generated, resulted in a decrease in "unrestricted" expenditures by the Foundation to support Chicago State University's (CSU) endeavors. Overall, support to CSU increased as a result of the CRCP scholarships provided to students attending CSU.

It is estimated that Chicago State University support to the Foundation will continue to decrease and that the Foundation's solicitation for contributions and donations to the University initiatives will be expected to increase. The Foundation's support to the University was $1,568,170 (as compared to $1,450,241 in fiscal year 2004) in scholarships and program support for fiscal year 2005. For fiscal year 2005, the Foundation's contribution and grant revenue exceeded its budget by $146,751. This increase was mainly due to a State grant for the CRCP program and funding to support the Northeastern Illinois Food Security Study subcontracted by the College of Arts & Sciences.

Fiscal year 2005 budgeted expenses were reduced as a result of less revenue recognized by the Annual Gala for general operating program support. Actual expenses were under budgeted expenses mainly due to the reduction in restricted fund account expenses and the Annual Gala revenue.

The Chicago State University Foundation is expected to continue its involvement with the Chicagoland Regional College Program and solicitation of a grant from the Department of Commerce and Economic Opportunity for fiscal year 2006 is expected.

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION

STATEMENT OF NET ASSETS

AS OF JUNE 30, 2005

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2004

ASSETS	2005	2004
Current Assets		
Cash and cash equivalents	$ 211,047	$ 21,447
Cash and cash equivalents-restricted	640,290	2,411,871
Certificates of deposit	110,290	35,965
Other receivables	60,372	-
Accrued interest	3,890	1,018
Total Current Assets	1,025,889	2,470,301
Non-Current Assets		
Certificates of deposit-restricted	334,607	355,286
Endowment investments	1,742,884	1,225,103
Total Non-Current Assets	2,077,491	1,580,389
TOTAL ASSETS	$ 3,103,380	$ 4,050,690
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and other liabilities	$ 145,377	$ 1,667,999
Deferred revenue	-	5,000
Due to Chicago State University	137,396	105,961
Total Current Liabilities	282,773	1,778,960
Non-Current Liabilities		
Due to Chicago State University	-	100,000
Total Non-Current Liabilities	-	100,000
Total Liabilities	282,773	1,878,960
Net Assets		
Restricted for:		
Nonexpendable:		
Endowments	1,847,690	1,403,509
Expendable:		
Direct Programs and Scholarships	735,091	754,181
Unrestricted	237,826	14,040
Total Net Assets	2,820,607	2,171,730
TOTAL LIABILITIES AND NET ASSETS	$ 3,103,380	$ 4,050,690

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

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2005

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004

	2005	2004
Operating Revenues:		
CSU support	$ 551,937	$ 485,180
Other operating revenues	112,254	124,468
Total Operating Revenues	664,191	609,648
Operating Expenses:		
CRCP grant expenses	750,000	2,200,000
Program funds	204,948	226,732
General and administrative	117,307	128,534
Scholarships	337,515	289,910
CSU support	551,937	485,180
CSU grant funds	150,682	257,600
Total Operating Expenses	2,112,389	3,587,956
Operating Loss	(1,448,198)	(2,978,308)
Non-operating Revenues (Expenses):		
CRCP grant	750,000	2,200,000
Contributions	763,617	1,076,015
Investment income, including net unrealized/realized gain of $39,997 for 2005 and $33,541 for 2004, respectively)	94,215	77,296
In-kinds CSU	(19,391)	(30,938)
Total Non-operating Revenue	1,588,441	3,322,373
Income before other revenues, expenses, gains and losses	140,243	344,065
Other Revenues, Expenses, Gains and Losses:		
Endowment contributions	408,634	11,610
Debt write-off CSU	100,000	-
Total Other Revenues, Expenses, Gains and Losses	508,634	11,610
Increase in Net Assets	648,877	355,675
Net Assets, Beginning of Year	2,171,730	1,816,055
Net Assets, End of Year	$ 2,820,607	$ 2,171,730

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

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2005

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004

	2005	2004
Cash Flows from Operating Activities:		
Ticket sales and other income	$ 111,264	$ 127,178
Payments to vendors, direct program expenses	(2,771,632)	(1,173,992)
Payments for scholarships	(337,515)	(289,910)
Net cash used by operating activities	(2,997,883)	(1,336,724)
Cash Flows from Noncapital Financing Activities:		
Grants and donations	1,909,041	3,285,640
Alumni membership dues	9,200	5,995
Pass thru scholarships	216,821	183,376
Pass thru scholarships payments	(219,685)	(183,376)
Net cash provided by noncapital financing activities	1,915,377	3,291,635
Cash Flows from Investing Activities:		
Interest and dividends on investments	51,346	44,843
Proceeds from sales and maturities of investments	991,227	667,688
Net decrease (increase) in certficates of deposit investments	(53,646)	95,114
Purchase of investments and other	(1,488,402)	(689,409)
Net cash (used) provided by investing activities	(499,475)	118,236
Net (decrease) increase in cash	(1,581,981)	2,073,147
Cash and cash equivalents - beginning of the year	2,433,318	360,171
Cash and cash equivalents - end of the year	$ 851,337	$ 2,433,318

	2005	2004
Reconciliation of Net Operating Loss to Net Cash used by Operating Activities:		
Operating loss	$ (1,448,198)	$ (2,978,308)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Net change in assets and liabilities:		
Other receivables	(60,372)	1,720
Accounts payable & other liabilities	(1,519,758)	1,614,090
Deferred revenue	(990)	990
Due to CSU	31,435	24,784
Net cash used by operating activities	$ (2,997,883)	$ (1,336,724)

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

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

1. FINANCIAL REPORTING ENTITY

The CHICAGO STATE UNIVERSITY FOUNDATION (Foundation), State Entity 609, is an Illinois non-profit corporation created for the principal purpose of aiding Chicago State University (University), State Entity 608, in achieving its instruction, research, extension, and public service objectives. The Foundation is a "university related organization" under University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982 updated in 1997. Note 8 describes related party transactions between the Foundation and the University.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

In accordance with GASB Statement No. 20, the Foundation is required to follow all applicable GASB pronouncements. In addition, the Foundation applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Foundation elected not to apply FASB pronouncements issued after November 30, 1989.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets - Restricted (Nonexpendable)

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

Classification of Revenues

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

Contributions

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

Use of Estimates

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

Tax-Exempt Status

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

Furniture, Fixtures, and Equipment

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications
Certain prior year amounts have been reclassified to agree to the current period presentation. This reclassification had no effect on the net assets as of June 30, 2004.

Comparative Totals
Comparative totals have been presented in the accompanying basic financial statements in order to provide an understanding of changes in the Foundation's financial position and operations. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2004, from which the summarized comparative totals were derived.

Contingencies
The Foundation has received grant funding from another State agency, which is subject to audit by the granting agency. The Foundation believes any adjustments that may arise from such audits will be insignificant to its operations.

3. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

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

Deposit type	Carrying Amount	Bank Balance
Cash in Bank (checking or savings)	$ 702,422	$ 800,468
Money Markets	45,035	45,035
Certificates of Deposit	548,777	548,814
Total deposit accounts	$ 1,296,234	$ 1,394,317
Less certificates of deposit classified as investments (maturity > 90 days)	(444,897)	
Total Cash and Cash Equivalents	$ 851,337	

3. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT (continued)

Custodial Credit Risk

For deposit accounts, custodial credit risk is the risk that in the event of the failure of the bank, the Foundation will not be able to recover the value of its deposits. Of the Foundation's deposit accounts, $88,779 of the deposits exceed FDIC coverage and are not collateralized with securities in the name of the Foundation. The Foundation's policy limits direct deposits in any one bank to not exceed FDIC insurance coverage limits. The Foundation is in the process of amending its deposit account policy.

4. INVESTMENTS

The carrying value (and market value) of the investment portfolio of the Foundation at June 30, 2005 is as follows:

	Fair Value
Money Funds and Other	$ 537,147
US Treasury and Agency Obligations	374,505
Common Stock	672,672
Corporate & Int'l Bonds	158,560
Total Endowment Investments	1,742,884
Certificates of Deposit (maturity > 90 days)	444,897
Total Investments	$2,187,781

All investments are insured or registered and held by the Foundation or its agent in the Foundation's name. The Foundation does not have a policy limiting its exposure to concentrations of credit risk.

The maturities of the debt securities investment portfolio (at market value) of the Foundation at June 30, 2005 was as follows:

	Maturity			
Debt Security	Less than 1 year	1 - 5 years	6 - 10 years	Total
US Treasury Obligations	$ 61,762	$ 76,967	$ 49,581	$ 188,310
US Agency/Guaranteed Obligations	90,605	82,024	13,566	186,195
Total US Treasury/Agency	152,367	158,991	63,147	374,505
Corporate & Int'l Bonds	-	131,194	27,366	158,560
Total Debt Security Investments	$ 152,367	$ 290,185	$ 90,513	$ 533,065

4. INVESTMENTS (Continued)

The Standard & Poor's and Moody's Investors Service credit rating of the debt securities investment portfolio (at market value) of the Foundation at June 30, 2005 is as follows:

Credit Rating		Total Debt Securities
US Treasury/Agency/Guaranteed Obligations - no rating		$ 374,505
AAA/AAA		23,394
A1/AA		20,797
AA1/AA-		23,025
AA2/AA		27,366
AA2/AA-		15,906
AA3/AA		11,867
AA3/AA-		13,303
AA3/A+		22,902
	Total	$ 533,065

The Foundation's statement of investment objectives and guidelines states that investments in non-convertible fixed-income securities other than short-term securities will be restricted to issues with a maximum fixed or expected average maturity of ten years and will be made primarily in (1) securities issued or guaranteed by the U.S. government or its agencies, (2) marketable issues of non-nuclear utility companies rated at the time of purchase within the three highest grades assigned by Moody's Investor Services, Inc. (Aaa, Aa or A) or by Standard & Poors (AAA, AA or A) and (3) bond mutual funds which invest primarily in bonds with rating of A and higher.

The Foundation's exposure to foreign currency risk (valued in U.S. dollars) is as follows at June 30, 2005:

Investment	Currency	Maturity	Fair Value
Ontario Province CDA Notes Rating: AA2/AA	Canadian dollar	2/15/2013	$ 15,253
Total			$ 15,253

The Foundation does not have a policy limiting its exposure to foreign currency risk.

5. ENDOWMENT TRUST ACCOUNTS

The Foundation assumed responsibility on behalf of the University for private gifts for scholarships. As of June 30, 2005, endowment trust accounts invested with Smith Barney reported at market totaled $1,742,884.

The Foundation Board resolved that endowments' dividend and interest income be used for scholarships and that a reasonable amount of dividends and interest be added back to the endowment principal. The portion of dividends and interest available for scholarships is transferred to the Expendable Restricted Funds. As of June 30, 2005, endowment dividends and interest transferred to the Expendable Restricted Funds totaled $32,191.

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

6. ADMINISTRATIVE FEE CHARGE

The Foundation generally transfers from the Expendable Restricted Funds to the Unrestricted Fund a 4% to 8% administrative fee on the Expendable Restricted Fund monetary gifts as they are received. Such fees transferred during the fiscal year amounted to $198,632.

7. NON-CASH TRANSACTIONS

Non-cash transactions have been excluded on the Statement of Cash Flows. During the year ended June 30, 2005, the Foundation's investments experienced a net unrealized gain of $530, and a $100,000 write-off of an old Due to CSU liability.

8. RELATED PARTY TRANSACTIONS

The University and Foundation agreed to a master contract, effective June 30, 1983 and revised February 1, 1989, which specifies the relationship between the two organizations as required by the University Guidelines adopted on November 30, 1982 and revised 1997 by the Legislative Audit Commission. Under the terms of the contract, the Foundation is provided administrative support services by the University, such as maintenance, telephone, personnel, and property control. The Foundation does not directly pay the University for these services, which were valued at $551,937 for the current fiscal year. The Foundation reciprocates by providing fundraising and other services to the University. These services resulted in Foundation expenditures benefiting the University in the amount of $1,568,170 for the current fiscal year. Scholarships benefiting the University totaled $865,142 for the fiscal year ended June 30, 2005, and are included in Scholarships and CRCP grant expenses on the Statement of Revenue, Expenses and Changes in Net Assets.

8. RELATED PARTY TRANSACTIONS (continued)

The Due to CSU balance of $137,396, consists primarily of a liability to the University for $135,784 in Chicago Regional College Program (CRCP) project costs and payroll reimbursements.

On June 30, 2005, the Foundation wrote off a $100,000 Due to CSU liability balance. The Foundation had been carrying forward this liability consisting of a $46,000 offset to a State budget revision and $54,000 for incentive grants for over five years. The matters to which these liabilities arose have been resolved and the Foundation and the University deem these liabilities to have been fulfilled.

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY FOUNDATION

SCHEDULE OF REVENUES AND EXPENDITURES OF THE CHICAGO REGIONAL COLLEGE PROGRAM

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	Budget	Actual
Revenues:		
Grant revenue	$ 750,000	$ 750,000
Total revenue	750,000	750,000
Expenditures:		
Contractual/Consultant	150,000	150,000
Other (Student Benefits)	540,000	540,000
Other (Grant Administration)	60,000	60,000
Total expenditures	750,000	750,000
Total	$ -	$ -