

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2007**

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

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

**For the Two Years Ended June 30, 2007**

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The Foundation's financial statement report for the year ended June 30, 2007, which includes the report of independent auditors, management's discussion and analysis, and the 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 <i>Government Auditing Standards</i> has been issued separately.	
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**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION  
FOR THE TWO YEARS ENDED JUNE 30, 2007  
FOUNDATION OFFICIALS**

Executive Director

Mr. Marquis Miller

Controller

Mr. Johnnie Barker

Foundation offices are located at:

9501 South Martin Luther King Drive  
Cook Administrative Building  
Room 322  
Chicago, IL 60628

Elnora D. Daniel, President  
Marquis Miller, Executive Director



December 12, 2007

De Raimo Hillger & Ripp  
Certified Public Accountants  
655 N. La Grange Road, Suite 102  
Frankfort, IL 60423-1347

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 Chicago State University 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 Chicago State University Foundation's compliance with the following assertions during the two-year period ended June 30, 2007. Based on this evaluation, we assert that during the years ended June 30, 2006 and June 30, 2007, the Chicago State University Foundation has materially complied with the assertions below.

- A. The agency has obligated, expended, received and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The agency 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 agency 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 agency 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.
- D. Money or negotiable securities or similar assets handled by the agency held in trust by the agency have been properly and legally

9501 S. King Drive  
ADM/322  
Chicago, IL 60628  
773.995.3839

**FOUNDATION  
BOARD MEMBERS**

**Cordell Reed**  
Chairman  
**Randall C. Hampton**  
Vice Chairman  
**Daniel G. Watts, Esq.**  
Treasurer  
**Michelle Ringold**  
Assistant Treasurer  
**Lynn C. Maddox**  
Secretary

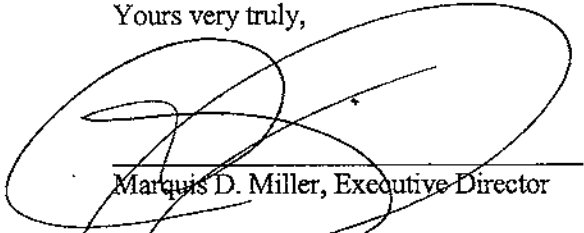
**H. Timothy Allwardt**  
**Anthony Anderson, '77**  
**Leslie J. Anderson**  
**Sam Balark**  
**Terrence Bell**  
**Jesse Brown**  
**Carolyn H. Clift, J.D., L.L.M., '78**  
**Elizabeth G. Coolidge**  
**Linda R. Crane, Esq.**  
**Jacoby D. Dickens**  
**Maurice Grant, Esq.**  
**Scott Haas**  
**Daryl Handy, '76, '81**  
**Gregory T. Hinton**  
**John Hooker, '90**  
**Robert Howard**  
**Joseph E. Jannotta**  
**Donald Karpiak**  
**Nancy McKeever, '58**  
**Salvador Mendoza, '90**  
**Everett Rand**  
**Monique Brinkman-Smith**  
**William F. Stratton**  
**Guy F. Summers**  
**Nigel F. Teisman, Esq.**  
**Deborah D. Thomas**

**EMERITUS**

**David W. Fox**  
**Lawrence Howe**  
**Richard M. Morrow**  
**Donald S. Perkins**  
**Richard L. Thomas**

administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

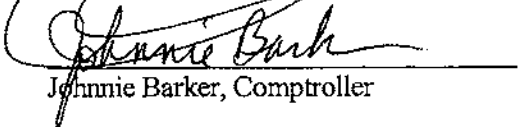
Yours very truly,



Handwritten signature of Marquis D. Miller, consisting of a large, stylized cursive loop.

Marquis D. Miller, Executive Director

12/12/07  
Date



Handwritten signature of Johnnie Barker, written in a cursive script.

Johnnie Barker, Comptroller

12/12/07  
Date

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION**

**COMPLIANCE REPORT**

**SUMMARY**

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

**ACCOUNTANTS' REPORTS**

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

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>Compliance</u>	<u>Financial</u>	<u>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Report</u>	<u>Compliance</u>
<u>Repeated findings</u>	<u>Report</u>	<u>Report</u>	<u>Report</u>
Findings	0	1	1
Repeated findings	0	0	0
Prior recommendations implemented or not repeated	1	2	0

Details of *State Compliance* findings are presented in the separately tabbed report section of this report. Details of *Government Auditing Standards* findings are issues related to significant deficiencies and material weaknesses in internal control over financial reporting. Findings related to *Government Auditing Standards* have been issued separately with the Agency's Financial Statement Audit.

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
		<u>FINDINGS (GOVERNMENT AUDITING STANDARDS)</u>
07-1	22	Pledge Receivable Not Properly Reported
		<u>FINDINGS (STATE COMPLIANCE)</u>
	10	None
		<u>PRIOR FINDINGS NOT REPEATED</u>
07-2	11	Inaccurate Statement of Cash Flows
07-3	11	Uncollateralized Deposit Accounts

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION**

**COMPLIANCE REPORT**

**SUMMARY**

**EXIT CONFERENCE**

The finding and recommendation appearing in this report were discussed with Foundation personnel at an exit conference on December 12, 2007. Attending were:

Representing Chicago State University Foundation Board of Directors

Audit Committee Chair

Mr. H. Timothy Allwardt

Representing Chicago State University Foundation

Executive Director

Mr. Marquis Miller

Controller

Mr. Johnnie Barker

Representing De Raimo Hillger & Ripp

Partner

Ms. Ferne M. Hillger, CPA

Representing the Office of the Auditor General

Audit Manager

Mr. Thomas L. Kizziah, CPA

Responses to the recommendations were provided by Mr. Marquis Miller in a letter dated December 12, 2007.

# DE RAIMO HILLGER & RIPP

Certified Public Accountants & Business Consultants

655 N. La Grange Road • Suite 102 • Frankfort, IL 60423-2912 • Telephone (815) 469-7500 • Facsimile: (815) 469-6970

JOHN J. DE RAIMO  
FERNE M. HILLGER  
ROBERT J. RIPP

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

Honorable William G. Holland  
Auditor General  
State of Illinois

### Compliance

As Special Assistant Auditors for the Auditor General, we have examined Chicago State University Foundation's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2007. The management of Chicago State University Foundation is responsible for compliance with these requirements. Our responsibility is to express an opinion on Chicago State University Foundation's compliance based on our examination.

- A. The Chicago State University Foundation has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Chicago State University 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 Chicago State University 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 Chicago State University 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 Chicago State University Foundation held in trust by the Chicago State University 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



Chicago State University 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 Chicago State University Foundation's compliance with specified requirements.

In our opinion, Chicago State University Foundation complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2007. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

### **Internal Control**

The management of Chicago State University 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 Chicago State University 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 Chicago State University Foundation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chicago State University Foundation's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Chicago State University Foundation's response to the finding identified in our examination are described in the accompanying schedule of findings. We did not examine Chicago State University Foundation's response and, accordingly, we express no opinion on it.

### **Supplementary Information for State Compliance Purposes**

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of Chicago State University Foundation, a component of Chicago State University and the State of Illinois, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 12, 2007. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Chicago State University Foundation. The 2007 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been

subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007, taken as a whole. The Chicago State University Foundation's basic financial statements for the year ended June 30, 2006 were audited by other auditors who expressed an unqualified opinion in their report dated December 7, 2006.

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

*De Raimo Hillger & Ripp*

December 12, 2007

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION  
FINDINGS AND RECOMMENDATIONS  
CURRENT FINDINGS – STATE**

**FOR THE TWO YEARS ENDED JUNE 30, 2007**

NONE

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION  
FINDINGS AND RECOMMENDATIONS  
PRIOR FINDINGS NOT REPEATED**

**FOR THE TWO YEARS ENDED JUNE 30, 2007**

07-2. During the prior compliance examination, the Foundation maintained deposits in excess of the Federal Deposit Insurance Corporation coverage and pledged collateral.

During the current examination period, the Foundation secured collateral and at June 30, 2007, only a small amount remained uninsured. The Foundation had secured collateral pledged of \$2,463,513 at June 30, 2007. Therefore, this finding was reflected in the immaterial letter for the period ended June 30, 2007.

07-3. During the prior examination, the Foundation did not prepare an accurate statement of cash flows.

During the current examination period, the Foundation prepared an accurate statement of cash flows.

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION**

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

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

**Fiscal Schedules and Analysis**

Comparative Schedule of Cash and Cash Equivalents

Analysis of Significant Account Balances

Analysis of Significant Variations in Revenues and Expenses

Summary of Funds Provided by the Foundation to Support the University

**Analysis of Operations**

Foundation Functions and Planning Program

Average Number of Employees (Unaudited)

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

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION  
FISCAL SCHEDULES AND ANALYSIS**

**FOR THE TWO YEARS ENDED JUNE 30, 2007**

**COMPARATIVE SCHEDULE OF CASH AND CASH EQUIVALENTS**

The Foundation had deposits of cash and cash equivalents with the following financial institutions as of June 30,

	<u>2007</u>	<u>2006</u>
Seaway National Bank	\$ 2,424,823	\$ 2,210,624
LaSalle Bank	47	-
Highland Community Bank	20,306	19,408
Fifth Third Bank	53,889	692,506
Paine Weber	-	369,285
Pullman Bank	-	94,099
USB Financial Services	<u>4,126</u>	<u>-</u>
<b>TOTAL</b>	<u><u>\$ 2,503,191</u></u>	<u><u>\$ 3,385,922</u></u>

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION  
FISCAL SCHEDULES AND ANALYSIS**

**FOR THE TWO YEARS ENDED JUNE 30, 2007**

**ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES**

Presented below are summarized statements of Net Assets for the Foundation.

<b><u>Assets</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Cash and Cash Equivalents	\$ 2,503,191	\$ 3,385,922	\$ 851,337
Investments	2,851,706	1,914,467	2,187,781
Other Assets	1,160,880	378,538	64,262
Total Assets	<u>6,515,777</u>	<u>5,678,927</u>	<u>3,103,380</u>
<b><u>Liabilities</u></b>			
Accounts Payable and Other Liabilities	588,821	2,120,726	145,377
Due to CSU	518,361	350,664	137,396
Capital Lease Obligation	15,300	-	-
Deferred Revenue	5,000	-	-
Total Liabilities	<u>1,127,482</u>	<u>2,471,390</u>	<u>282,773</u>
<b><u>Net Assets</u></b>			
	<u>\$ 5,388,295</u>	<u>\$ 3,207,537</u>	<u>\$ 2,820,607</u>

*Cash and Cash Equivalents* - significant changes in cash due to money being received and disbursed for the Chicagoland Regional College Program (CRCP). The increase in 2006 and subsequent decrease in 2007 is attributed to timing of disbursements of the CRCP grant funds.

*Investments* - the increase in 2007 was due to an increase in monies invested in certificates of deposit.

*Other Assets* - the 2006 increase is due to a receivable for the CRCP. The 2007 increase is due to new pledges receivable.

*Accounts Payable and Other Liabilities* - increased in 2006 and subsequent decrease in 2007 is attributed primarily to timing of disbursements of the CRCP grant funds.

*Due to Chicago State University* - the increase from 2005 to 2006 is due to a \$100,000 write-off in 2005 of liabilities deemed to have been fulfilled, the increase in 2007 is due to payables for the CRCP grant funds.

*Capital Lease Obligation* - this is new in 2007 and related to a purchase of equipment donated to the University.

*Deferred Revenue* - in 2007, received monies in advance for attendance at the Gala.

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION  
FISCAL SCHEDULES AND ANALYSIS**

**FOR THE TWO YEARS ENDED JUNE 30, 2007**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES**

Presented below are summarized statements of Revenues, Expenses and Changes in Net Assets for the Foundation.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 430,998	\$ 429,857	\$ 664,191
Operating expenses	1,447,494	1,136,584	2,112,389
Operating loss	<u>(1,016,496)</u>	<u>(706,727)</u>	<u>(1,448,198)</u>
Non-operating revenues	3,192,936	1,076,459	1,588,441
Other revenues, expenses, gains & losses	<u>4,318</u>	<u>17,198</u>	<u>508,634</u>
Increase in net assets	2,180,758	386,930	648,877
Net assets - beginning of year	3,207,537	2,820,607	2,171,730
Net assets - end of year	<u>\$ 5,388,295</u>	<u>\$ 3,207,537</u>	<u>\$ 2,820,607</u>

*Operating revenues* - changes in 2006 and 2007 are primarily the result of support provided by CSU to the Foundation in accordance with the terms of the contracts.

*Operating expenses* - changes in operating expenses directly relate to revenues. Expenses decreased from 2005 to 2006 due to a \$750,000 grant awarded to the Foundation in 2005 from the Department of Commerce and Economic Opportunity (DCEO). In 2007, operating expenses increased, primarily because of a \$250,000 expenditure for a gift to the University.

*Non-operating revenues* - significant increase in 2007 due to a \$1,000,000 donation by a corporation, a \$500,000 anonymous donation, and two \$400,000 donations.

*Other revenues, expenses, gains & losses* - 2005 significantly higher than 2006 and 2007 due to a \$400,000 contribution for the Cordell Reed endowment scholarship fund and the write off of liabilities deemed to have been fulfilled with CSU.



**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION  
FISCAL SCHEDULES AND ANALYSIS**

**FOR THE TWO YEARS ENDED JUNE 30, 2007**

**SUMMARY OF FUNDS PROVIDED BY THE FOUNDATION TO SUPPORT THE UNIVERSITY**

The Chicago State University Foundation (the "Foundation") is considered a University-related organization under section VI of the University guidelines. Its contractual relationship to the University is described in "related party transactions", Note 9 of the Foundation's financial statements. During fiscal years 2007 and 2006, the University provided administrative support services valued at \$323,487 and \$524,039, respectively, to the Foundation. The contract requires the Foundation to provide the University with fund-raising and other services. These services resulted in the Foundation's unrestricted expenses described below, which qualify as "reimbursements" to the University in the University guidelines computation. Foundation-restricted expenses, which do not qualify as "reimbursements", are also disclosed below.

	<u>2007</u>	<u>2006</u>
Expenses Considered Unrestricted for Purposes of the Guidelines Computation:		
Totally Unrestricted	\$ 161,458	\$ 211,271
Restricted Only as to College or Department	<u>665,428</u>	<u>383,524</u>
Total Funds Considered Unrestricted	<u>826,886</u>	<u>594,795</u>
Expenses Considered Restricted for Purposes of the Guideline Computations:		
Given for Scholarships	<u>211,965</u>	<u>264,017</u>
Total Funds Considered Restricted	<u>211,965</u>	<u>264,017</u>
<b>TOTAL FUNDS PROVIDED BY THE FOUNDATION TO SUPPORT THE UNIVERSITY</b>	<u><u>\$ 1,038,851</u></u>	<u><u>\$ 858,812</u></u>

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION  
ANALYSIS OF OPERATIONS**

**FOR THE TWO YEARS ENDED JUNE 30, 2007**

**FOUNDATION FUNCTIONS AND PLANNING PROGRAM**

Chicago State University Foundation (the "Foundation") was incorporated on December 20, 1968 as an independent, charitable and educational not-for-profit organization. The goal of the Foundation as described in the Financial Development Plan, 1978-1982, approved by the Board of Directors, March 20, 1979 stated:

"To provide broader educational opportunities and better services to the University community"

Additionally, the Foundation describes its existence to accomplish purposes at Chicago State University for which the State appropriated funds are either unavailable or severely limited.

The following priorities or objectives have been established to achieve the Foundation's goals:

1. To enhance the image of the University in the eyes of the business community and the public at large.
2. To provide leadership for the annual fund solicitation in order to achieve a broader base of support within the total community.
3. To continue membership development by obtaining more Board members from the University area who have an interest in the welfare of the institution.

The Foundation prepares and issues policies and procedures that control the conduct of persons entrusted with the accountability of its resources. This set of policies and procedures focuses on the role of individuals authorized to receive and disburse Foundation funds. The Foundation is concerned about the efficient use of funds, therefore, all disbursements must be consistent with the policies of the Foundation.

The office of the Executive Director is located at Chicago State University, Cook Administration Building, 9501 S. King Drive, Chicago, Illinois 60628. The current Executive Director is Mr. Marquis Miller.

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

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY FOUNDATION  
ANALYSIS OF OPERATIONS**

**FOR THE TWO YEARS ENDED JUNE 30, 2007**

**AVERAGE NUMBER OF EMPLOYEES (UNAUDITED)**

The Foundation uses twelve (12) University Employees to perform Foundation functions on a full and part-time basis. The Foundation reimbursed the University for one of the four employees who devoted 100% of their time to Foundation activities during 2007 and 2006.