



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

NORTHEASTERN ILLINOIS UNIVERSITY

**FINANCIAL AUDIT
For the Year Ended: June 30, 2010**

Release Date: January 27, 2011

Summary of Findings:

Total this audit:	1
Total last audit:	0
Repeated from last audit:	0

INTRODUCTION

This report contains only the finding pertaining to the Financial Statement Audit.

The State Compliance Examination and Federal Single Audit Reports will be issued at a later date.

SYNOPSIS

- The University did not properly interpret and apply Generally Accepted Accounting Principles in recognizing grant revenue.

{Expenditures and Activity Measures are summarized on the reverse page.}

NORTHEASTERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT

For The Year Ended June 30, 2010

FINANCIAL OPERATIONS	2010	2009
Operating Revenues		
Student tuition and fees, net.....	\$50,741,927	\$42,672,062
Federal grants and contracts	12,002,930	12,607,691
State and local grants.....	3,124,281	3,061,082
Nongovernmental grants and contracts.....	1,566,650	1,489,238
Auxiliary enterprises.....	3,734,399	3,434,342
Other operating revenues.....	3,893,200	3,290,560
Total Operating Revenues.....	<u>\$75,063,387</u>	<u>\$66,554,975</u>
Operating Expenses		
Instruction.....	\$ 65,483,818	\$ 61,354,540
Research.....	894,756	1,005,011
Public service.....	13,634,224	14,502,091
Academic support.....	10,111,431	9,015,138
Student serices and programs.....	12,318,597	11,022,575
Institutional support.....	13,651,118	10,723,035
Operation and maintenance of plant.....	14,366,452	12,552,318
Scholarships and fellowships.....	7,845,618	5,348,939
Auxiliary enterprises.....	3,943,137	3,752,658
Depreciation expense.....	5,029,378	5,336,575
Other operating expenses.....	1,485,620	1,915,830
Total Operating Expenses.....	<u>\$ 148,764,149</u>	<u>\$ 136,528,710</u>
Operating Income (Loss).....	\$ (73,700,762)	\$ (69,973,735)
NONOPERATING REVENUES (EXPENSES)		
State appropriations - general revenue fund.....	\$ 39,578,482	\$ 44,043,061
ARRA fund.....	4,154,162	-
Payments on behalf of the University.....	30,095,726	22,909,660
Pell Grant.....	15,743,639	10,300,329
Gifts and donations.....	-	71,745
Investment income.....	113,838	321,999
Interest on Indebtedness.....	(1,378,661)	(1,533,100)
Other, net.....	(36,830)	1,706,476
NET NONOPERATING REVENUES (EXPENSES)	<u>88,270,356</u>	<u>77,820,170</u>
INCREASE (DECREASE) IN NET ASSETS.....	<u>\$ 14,569,594</u>	<u>\$ 7,846,435</u>
Net assets, beginning of year.....	\$ 97,259,863	\$ 89,413,428
Net assets, end of year.....	\$ 111,829,457	\$ 97,259,863
SUMMARY - BALANCE SHEET	2010	2009
Current Assets.....	\$50,053,923	\$32,670,637
Noncurrent Assets	111,976,156	118,664,894
Total Assets.....	\$162,030,079	\$151,335,531
Current Liabilities.....	12,026,973	12,394,036
Noncurrent Liabilities.....	38,173,649	41,681,632
Total Liabilities.....	\$50,200,622	\$54,075,668
Total Net Assets.....	<u>\$111,829,457</u>	<u>\$97,259,863</u>
PRESIDENT		
During Audit Period and Currently: Dr. Sharon K. Hahs		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(GAAP) NOT PROPERLY APPLIED TO GRANT
REVENUE RECOGNITION**

Failure to apply GAAP

The University did not properly interpret and apply GAAP in recognizing grant revenue.

**Inappropriate deferral to
subsequent periods**

During our audit we requested documentation to support four grant revenue deferrals included in the University's financial statements. Upon review of the grant agreements provided along with related documentation, we noted that revenue for two of the grants tested should have been recognized during the audit period rather than deferred to subsequent periods.

In one case, the grant was for the purchase of services. Under GAAP, revenue for services provided during the period should have been recognized. The second grant was a voluntary nonexchange transaction which did not stipulate an eligibility requirement. Under GAAP, revenue for this grant should have been recognized in the period received. The actual error identified was \$123,753. The auditors have recorded a passed adjustment of the projected error in the amount of \$199,602.

Failure to maintain accounting records and present financial reports in accordance with GAAP distorts the net assets of the University and the State. (Finding 1, Page 50)

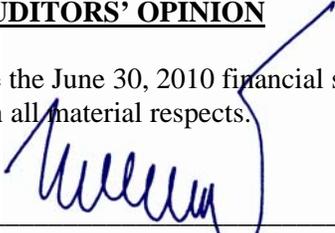
We recommended that the University improve its system for determining the timing of grant revenue recognition to properly account for such transactions in accordance with GAAP.

University agrees with auditors

University officials concurred with the recommendation.

AUDITORS' OPINION

Our auditors state the June 30, 2010 financial statements are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:TLK:pp

SPECIAL ASSISTANT AUDITORS

Clifton Gunderson LLP was our special assistant auditors.