

**STATE OF ILLINOIS  
NORTHEASTERN ILLINOIS UNIVERSITY  
FOUNDATION**

**FINANCIAL AUDIT  
YEAR ENDED JUNE 30, 2005**

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

**State of Illinois  
Northeastern Illinois University Foundation**

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**State of Illinois  
Northeastern Illinois University Foundation**

*Agency Officials*

President

Randy Franklin

Vice- President

Myles Crane  
(7/1/04 to 1/24/05)

John Gingell  
(1/24/05 to present)

Treasurer

Thomas Gramins, CPA

Executive Director, Marketing and Communications

Terry Bush

Administrative Assistant

Rhonda Eisenberg  
(7/1/04 to 12/31/04)

Michael Partipilo  
(2/1/05 to present)

*Agency Office is located at:*

5500 North St. Louis Avenue  
Chicago, IL 60625

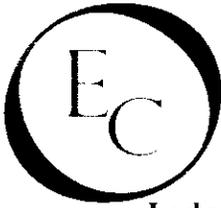
**State of Illinois  
Northeastern Illinois University Foundation**

**Financial Statement Report Summary**

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

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

The auditors' report on the supplementary information presented in this section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



E.C. CORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of Northeastern Illinois University Foundation (Foundation), a component unit of Northeastern Illinois University and the State of Illinois, as of and for the year ended June 30, 2005, which comprise the Foundation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Foundation's 2004 financial statements and, in our report dated September 20, 2004 we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Northeastern Illinois University Foundation as of June 30, 2005 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Foundation implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment to GASB Statement No. 3 as of July 1, 2004.

The *Management's Discussion and Analysis* on pages 6 to 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The *Schedule of Changes in Net Assets for the year ended June 30, 2005*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Changes in Net Assets for the year ended June 30, 2005* has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*E. C. Gentry & Co. LLP*  
September 30, 2005

**State of Illinois  
Northeastern Illinois University Foundation**

**Management's Discussion and Analysis  
For the Year Ended June 30, 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 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 – Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

This report presents management's discussion and analysis of the Foundation's financial performance during the fiscal year ended June 30, 2005.

**Financial Highlights**

**Statement of Net Assets**

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

**Condensed Statement of Net Assets**

	<b>2005</b>	<b>2004</b>
Total current assets	\$1,216,125	\$1,158,397
Noncurrent assets	2,298,484	1,578,372
Total assets	<u>3,514,609</u>	<u>2,736,769</u>
Current liabilities	<u>5,880</u>	<u>3,417</u>
Total net assets	<u>\$3,508,729</u>	<u>\$2,733,352</u>

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**Management's Discussion and Analysis, continued  
For the Year Ended June 30, 2005**

Total assets of the Northeastern Illinois University Foundation increased 28.4% in fiscal year 2005. The increase is largely attributable to gifts to the endowment.

During fiscal year 2005, the Foundation sold a condominium donated in fiscal year 1998 as a charitable remainder trust by Dr. Bernard J. Brommel, professor emeritus, communication, media and theatre. The sale netted \$517,421. In addition, Northeastern Illinois University had previously received an endowment challenge grant from the U. S. Department of Education that matched gifts to the Foundation endowment. During fiscal year 2005, a total of \$288,683 in matching funds was received by the Foundation.

The Foundation uses its assets to support excellence in Northeastern Illinois University programs and scholarships in accordance with the wishes of the donors. Net assets represent the residual interest in the Foundation's assets after liabilities are deducted. The Foundation's net assets at June 30, 2005 and 2004 are summarized below. They are grouped by those net assets available for unrestricted uses, those restricted by the donor for particular purpose expenditures (expendable), and assets that are to be held in perpetuity (nonexpendable).

**Summary of Net Assets**

	<b>2005</b>	<b>2004</b>
Restricted		
Nonexpendable	\$2,276,770	\$1,556,658
Expendable	633,904	562,705
Unrestricted	<u>598,055</u>	<u>613,989</u>
<b>Total net assets</b>	<b><u>\$3,508,729</u></b>	<b><u>\$2,733,352</u></b>

During the year ended June 30, 2005, Foundation's net assets increased \$775,377 or 28.4%. While the bulk of the increase came from gifts to the endowment, expendable gifts to the Foundation increased 12.7% as a result of a successful fund-raising strategy focused on annual gifts from alumni, faculty, staff and others.

**Statement of Revenues, Expenses, and Changes in Net Assets**

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

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**Management's Discussion and Analysis, continued  
For the Year Ended June 30, 2005**

**Condensed Statement of Revenues, Expenses and Changes in Net Assets**

	<b>2005</b>	<b>2004</b>
Operating revenues	\$743,979	\$581,511
Operating expenses	<u>421,867</u>	<u>366,575</u>
Operating income	322,112	214,936
Additions to Permanent Endowments	<u>453,265</u>	<u>21,216</u>
Increase in Net Assets	775,377	236,152
Net Assets, Beginning of Year	<u>2,733,352</u>	<u>2,497,200</u>
Net Assets, End of Year	<u>\$3,508,729</u>	<u>\$2,733,352</u>

Operating revenues increased nearly \$162,000 while expenses increased approximately \$55,000. The result is a nearly 50% increase in operating income for the Foundation.

Many sources make up the Foundation's operating revenues.

Operating revenues	<b>2005</b>	<b>2004</b>
Contributions	\$338,642	\$251,511
Investment income	184,329	170,265
Royalty income	-	75,000
Personal service costs, facility use and other costs provided by NEIU	65,902	67,507
Gain on sale of charitable remainder trust asset	142,421	-
Other revenues	<u>12,685</u>	<u>17,228</u>
Total operating revenues	<u>\$743,979</u>	<u>\$581,511</u>

For the second consecutive year, contributions to the Foundation increased by over 33%. The Foundation's fund-raising strategy and aggressive annual fund campaign are clearly producing dramatic results.

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**Management's Discussion and Analysis, continued  
For the Year Ended June 30, 2005**

Investment income, another important source of operating revenue, increased 8%, maintaining purchasing power that exceeded the rate of inflation. The Foundation's primary investment objectives are to preserve the real purchasing power of the principal and provide a stable source of perpetual financial support to Foundation beneficiaries in accordance with the Foundation's spending policy. The Foundation strives to diversify investments among both equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. As a long-term guideline, equity investments will normally constitute at least 60% and fixed-income securities no more than 40% of endowment assets.

A third source of operating revenue, royalty income, ended in fiscal year 2004 with the final payment received under a five year contract with a credit card issuer which paid the Foundation a guaranteed royalty for use of mailing lists of alumni. The Foundation continues to be entitled to receive commissions on new credit cards issued and purchases made by existing cardholders above the guaranteed royalty paid.

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

**Statement of Cash Flows**

The Statement of Cash Flows primary purpose is to provide relevant information about the cash receipts and cash payments of the Foundation during the year. The Foundation is required to use the direct method of presentation for this statement which indicates the cash effects categorized by operations, non-capital financing transactions, and investing transactions.

Many of the factors affecting cash flow have been discussed elsewhere in this report. Cash flows from investing activities require a more detailed presentation.

**Cash Flows From Investing Activities:**

	<b>2005</b>	<b>2004</b>
Proceeds from sales of investments	\$ 321,859	\$ 406,936
Purchases of investment	<u>( 1,517,493)</u>	<u>( 953,747)</u>
Net cash used in investing activities	<u>(\$1,195,634)</u>	<u>(\$546,811)</u>

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**Management's Discussion and Analysis, continued  
For the Year Ended June 30, 2005**

During fiscal year 2004, sales and purchases resulted from reallocating investments in line with a new investment policy. Fiscal year 2005 purchases of investments resulted largely from major gifts being added to the endowment. Proceeds from sales of investments occurred as the Foundation consolidated its investments in the Vanguard Balanced Index Fund by selling shares in the Common Fund.

**Factors Affecting the Future**

Fiscal year 2005 was, by far, the most productive year in the history of the NEIU Foundation. The many large gifts received by the Foundation are evidence of an increasing awareness among donors of the Foundation's mission. It also points to a growing culture of philanthropy among NEIU alumni, faculty, staff, students and friends. The Foundation is well positioned to carry out its mission of facilitating private support for Northeastern Illinois University.

**Northeastern Illinois University Foundation**  
**Statement of Net Assets**

	<b>June 30,</b>	
	<b>2005</b>	<b>(Comparative Totals Only) 2004</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 2)	\$ 302,068	\$ 345,221
Short term investments (Note 2)	910,731	810,209
Prepaid expenses	3,326	2,967
Total current assets	1,216,125	1,158,397
<b>Noncurrent assets</b>		
Endowment investments (Note 2)	2,276,770	1,181,658
Charitable remainder trust (Note 3)	-	375,000
Other assets (Note 4)	21,714	21,714
Total non-current assets	2,298,484	1,578,372
<b>TOTAL ASSETS</b>	3,514,609	2,736,769
 <b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	5,880	3,417
<b>TOTAL LIABILITIES</b>	5,880	3,417
 <b>NET ASSETS</b>		
Restricted for:		
Nonexpendable		
Charitable remainder trust	-	375,000
Scholarship and memorials	2,276,770	1,181,658
Expendable		
Academics	162,068	73,353
Intercollegiate athletics	7,414	8,915
Scholarship and memorials	181,950	210,497
Other	282,472	269,940
Unrestricted	598,055	613,989
<b>TOTAL NET ASSETS</b>	\$ 3,508,729	\$ 2,733,352

See accompanying notes to basic financial statements

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

	<b>Year Ended June 30,</b>	
	<b>(Comparative Totals Only)</b>	
	<b>2005</b>	<b>2004</b>
<b>Revenues</b>		
Operating revenues		
Contributions	\$ 338,642	\$ 251,511
Investment income	184,329	170,265
Royalty income	-	75,000
Personal service costs, facility use and other costs provided by NEIU (Note 1)	65,902	67,507
Gain on sale of charitable remainder trust asset (Note 3)	142,421	-
Other revenues	12,685	17,228
Total operating revenues	743,979	581,511
<b>Expenses</b>		
Operating expenses		
Personal service costs, facility use and other costs provided by NEIU (Note 1)	65,902	67,507
Fundraising	65,038	65,408
Grants and awards	20,885	29,163
Institutional support	180,432	130,626
Scholarship and fellowship	89,610	73,871
Total operating expenses	421,867	366,575
Operating income	322,112	214,936
<b>Additions to Permanent Endowments</b>	453,265	21,216
<b>Increase in Net Assets</b>	775,377	236,152
<b>Net Assets, Beginning of Year</b>	2,733,352	2,497,200
<b>Net Assets, End of Year</b>	\$ 3,508,729	\$ 2,733,352

See accompanying notes to basic financial statements

**Northeastern Illinois University Foundation**  
**Statement of Cash Flows**

	Year Ended June 30,	
	2005	(Comparative Totals Only) 2004
<b>Cash flows from operating activities:</b>		
Contributions received for operating purposes	\$ 338,642	\$ 243,511
Royalty payments received	-	75,000
Investment income	184,329	170,265
Payments to suppliers and students	(353,861)	(303,573)
Proceeds from sale of charitable remainder trust asset	517,421	-
Other operating receipts	12,685	17,228
Net cash provided by operating activities	699,216	202,431
<b>Cash flows from noncapital financing activities:</b>		
Contributions for endowment purposes	453,265	21,216
Net cash provided by noncapital financing activities	453,265	21,216
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	321,859	406,936
Purchases of investment	(1,517,493)	(953,747)
Net cash used in investing activities	(1,195,634)	(546,811)
<b>Net decrease in cash and cash equivalents</b>	(43,153)	(323,164)
<b>Cash and cash equivalents, beginning of year</b>	345,221	668,385
<b>Cash and cash equivalents, end of year</b>	\$ 302,068	\$ 345,221
<b>Reconciliation of net operating income to net cash provided by operating activities:</b>		
Operating income	\$ 322,112	\$ 214,936
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities		
Charitable remainder trust	375,000	-
Other assets	-	(8,000)
Prepaid expenses	(359)	(1,415)
Accounts payable	2,463	(3,090)
Net cash provided by operating activities	\$ 699,216	\$ 202,431

See accompanying notes to basic financial statements

**State of Illinois  
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June 30, 2005**

**Notes to Basic Financial Statements**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

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

The Foundation is a "University Related Organization", as defined under the University Guidelines adopted by the Legislative Audit Commission in 1982, as amended in 1997, and a component unit of the State of Illinois for financial reporting purposes. Due to the significance of the financial relationship with the University, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB Statement No. 14, the Foundation is also included as a component unit of the University for financial reporting purposes. The financial balances and activities included in these financial statements are therefore also included in the University's comprehensive annual financial report. All funds of the Foundation are locally administered and are neither subject to the State of Illinois appropriation process nor held in the State treasury. The State of Illinois Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871

**Basis of presentation**

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

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

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**Notes to Basic Financial Statements, Continued**

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

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

When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as needed.

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

**Use of estimates in preparing the Financial Statements**

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

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**Notes to Basic Financial Statements, Continued**

**Gift Revenues**

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

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

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

**Operating Revenues**

Revenues are classified as Operating Revenues if they have the characteristics of exchange transactions, such as contract revenue with the University. Typically, non-operating revenues include revenues that have the characteristics of non-exchange transactions as defined in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and by GASB Statement No. 34 which would include gifts and investment income. Because securing gifts and investing funds constitute the Foundation's primary operations, gift revenues, other than endowments, and investment income have been classified as operating revenues.

**Transactions with Northeastern Illinois University**

During fiscal year 2005, certain personal services and facilities of the University with an estimated value of \$65,902 were provided to the Foundation without charge. In turn, the Foundation provided the University with support in the amount of \$355,965 for the year ended June 30, 2005.

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**Notes to Basic Financial Statements, Continued**

**Cash and cash equivalents**

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

**Investments**

Investments purchased or received by gift are carried at market value. At June 30, 2005, investments consisted of U.S. Government securities and mutual funds.

**Tax-exempt status**

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

**Net Assets of the Foundation are classified as follows:**

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

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

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

**Adoption of New Accounting Principle**

The Foundation implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposits and Investment Risk Disclosures*, an amendment of GASB Statement No. 3 as of July 1, 2004.

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 June 30, 2005**

**Notes to Basic Financial Statements, Continued**

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

A reconciliation of cash and investments as shown on the June 30, 2005 Statement of Net Assets is as follows:

Carrying amount of deposits	\$ 302,068	Cash and cash equivalents	\$ 302,068
Carrying amount of investments	3,187,501	Short term investments	910,731
		Endowment investments	2,276,770
	<u>\$3,489,569</u>		<u>\$3,489,569</u>

Investments at June 30, 2005 consist of the following:

Investment Type	Fair Value
U.S. Treasury Obligations	\$ 78,917
Mutual Fund	3,108,584
	<u>\$ 3,187,501</u>

*Credit Risk*

Deposits and investments are classified in three categories of credit risk to give an indication of the level of risk assumed by the Foundation. The three categories of credit risk are:

- 1) Insured or collateralized with securities held by the Foundation or the Foundation's agent in the Foundation's name,
- 2) Collateralized with securities held by the pledging financial institution's trust department or custodian in the Foundation's name, and
- 3) Uncollateralized.

As of June 30, 2005, cash deposits and investments of \$409,122 held by the Foundation were in credit risk category "1".

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**Notes to Basic Financial Statements, Continued**

The Foundation's investment policy limits investments in corporate securities rated "Baa" or higher. Private label Collateralized Mortgage Obligation (CMO) and Real Estate Mortgage Investment Conduits (REMIC) are not included in this category. Credit quality ratings are not required for U.S. Government securities that are explicitly guaranteed by the U.S. government. The Foundation's mutual funds are invested in the Vanguard Balanced Index Fund and held by the Vanguard Group, Philadelphia, PA. The fund has 60% of its assets in stocks and 40% in bonds. The dollar-weighted average credit quality of the Fund's holdings, as rated by Moody's Investors Service, Inc. was "Aa1", as of December 31, 2004.

*Interest Rate Risk*

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

The \$78,917 in U.S. Treasury obligations are held in book entry form at Focused Investments, and consist of a note with a maturity of August 15, 2007, and interest rate of 6.125%.

The Foundation's mutual funds portfolio invested in the Vanguard Balanced Index Fund and held by the Vanguard Group is managed to provide investment allocations, characteristics, and yields consistent with its benchmark, the Lehman Brothers Aggregate Bond Index, which measures a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States – including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than one year. Interest rate risk is managed by structuring the average maturity and duration of the investments to the benchmark. The bond portion of the Fund maintains a dollar-weighted average maturity consistent with that of the Index, which currently ranges between 5 and 10 years.

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**Notes to Basic Financial Statements, Continued**

**3. CHARITABLE REMAINDER TRUST**

During the year ended June 30, 1998, the Foundation received a \$375,000 condominium subject to a life estate to the donor. The donor retained the right to live in the condominium until his death. During such time, the donor remained responsible for all related expenses. On October 29, 2004, the property was sold for \$560,000, resulting in a net gain of \$142,421.

**4. NONCURRENT OTHER ASSETS**

Noncurrent other assets include four Rolex watches and a sculpture which were donated to the Foundation. As of June 30, 2005, the watches were valued at fair market value of \$13,714 and the sculpture at \$8,000.

**5. ENDOWMENT FUNDS**

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

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

**SUPPLEMENTARY INFORMATION**

**Northeastern Illinois University Foundation**

**Schedule of Changes in Net Assets  
For the year ended June 30, 2005**

	Balance July 1, 2004	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2005
<b>UNRESTRICTED FUNDS</b>					
<u>Board Designated</u>					
Development Office Fund	\$ -	\$ -	\$ 27,685	\$ 27,685	\$ -
NEIU Minority Scholarship	154	4	-	-	158
Royalty Income	441,246	45,234	-	-	486,480
Investment Account	267	-	-	-	267
Annual Fund	91,893	729	64,672	-	27,950
Total Board Designated	<u>533,560</u>	<u>45,967</u>	<u>92,357</u>	<u>27,685</u>	<u>514,855</u>
<u>Undesignated</u>					
General	77,837	62,232	1,300	(57,765)	81,004
Payments on Behalf of the Foundation	-	65,902	65,902	-	-
External Events	-	-	1,350	1,350	-
Development Accounts	2,592	-	2,420	2,024	2,196
Total Undesignated	<u>80,429</u>	<u>128,134</u>	<u>70,972</u>	<u>(54,391)</u>	<u>83,200</u>
Total Unrestricted Net Assets	<u>613,989</u>	<u>174,101</u>	<u>163,329</u>	<u>(26,706)</u>	<u>598,055</u>
<b>RESTRICTED FUNDS</b>					
<b>EXPENDABLE</b>					
Academics	<u>73,353</u>	<u>107,638</u>	<u>19,257</u>	<u>334</u>	<u>162,068</u>
Intercollegiate Athletics:					
Athletics Administration	28	-	-	-	28
Men's Basketball	22	-	-	-	22
Women's Basketball	195	1	100	-	96
Men's Tennis	364	5	-	-	369
Men's Baseball	1,003	41	-	-	1,044
Cross Country	169	2	-	-	171
Men's Swimming	3,493	105	887	-	2,711
Men's Golf	496	-	496	-	-
Women's Tennis	451	6	-	-	457
Women's Softball	1,919	78	-	-	1,997
Women's Volleyball	309	1	225	-	85
Women's Swimming	5	-	-	-	5
Training Room	105	3	-	-	108
Student Athletic Club	16	-	-	-	16
Business Scholarship	211	2	39	-	174
Men's Soccer	129	2	-	-	131
Subtotal	<u>8,915</u>	<u>246</u>	<u>1,747</u>	<u>-</u>	<u>7,414</u>
Restricted Scholarships:					
A&E Kaplan Fdn Scholarship	1,025	43	-	-	1,068
Alfred Robinson Memorial	53	1	-	-	54
Andrew A. Hay Memorial Scholarship	5,896	485	1,000	-	5,381
Annette Hankin Scholarship	(750)	-	-	-	(750)
Avalon Industries Scholarship Fund	100	1	-	-	101
Bank-One Scholarship in Finance	2,564	1	2,500	-	65
Berlinger Music Scholarship Fund	3,949	740	600	-	4,089
Charas Kinkle Business Scholarship Fund	77	1	-	-	78
Charas Kinkle CICS Scholarship Fund	3,631	111	900	-	2,842
Charas Kinkle Minority Scholarship Fund	286	-	260	-	26
Civil Service Scholarship Fund	-	208	-	-	208

**Northeastern Illinois University Foundation**

**Schedule of Changes in Net Assets  
For the year ended June 30, 2005**

	Balance July 1, 2004	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2005
Commonwealth Edison	29	-	-	-	29
Cultural Society, Panama	920	37	-	-	957
Eldridge Scales Fund	899	36	-	-	935
Faculty Professional Development	11,531	210	-	(11,531)	210
Gloria Washington Memorial Fund	(63)	-	-	-	(63)
H. Berlinger Memorial Scholarship Fund	6,658	3,163	-	-	9,821
Honors Programs	956	143	-	-	1,099
Hursh Memorial Fund	248	3	-	-	251
Jack B. & Lily G Rose Scholarship	1,553	63	-	-	1,616
Kusol Varophas Pol Sc Grad Stud	-	269	-	-	269
L & E Keating Scholarship	-	507	-	-	507
Leibow Scholarship Fund	31,505	982	7,250	-	25,237
NEIU Foundation Scholarship	62,600	43,411	38,848	(1,110)	66,053
NEIU Scholarship for Pianists	13,265	513	600	-	13,178
Pi Sigma Alpha School Fund	-	1,041	-	-	1,041
Prada Educational Foundation	174	2	-	-	176
Puerto Rican Scholarship Fund	974	39	-	-	1,013
Russell C Eustice Prize	860	31	100	-	791
S-B Power Tool Co., Scholarship	2,622	9	2,000	-	631
Schneider Family Scholarship for Spec. Educ.	4,102	13,530	4,000	-	13,632
Smith Barney Scholarship #1	1,916	-	-	(1,916)	-
Smith Barney Scholarship #3	1,917	60	-	(415)	1,562
Special Scholarship Col of Education	4,457	180	-	-	4,637
Vera Milam Scholarship Fund	892	8	300	-	600
Veterans Scholarship	-	25	-	-	25
Subtotal	<u>164,846</u>	<u>65,853</u>	<u>58,358</u>	<u>(14,972)</u>	<u>157,369</u>

Other:

Academic Affairs	240	182	200	-	222
Accessibility Center	-	122	-	-	122
Adventure Education Program	185	3	-	-	188
Alumni Services & Programs	9,297	312	6,931	1,300	3,978
Asian Programs	3,132	750	-	-	3,882
Auditorium Fund	495	1,450	-	-	1,945
B & M Club	1,220	42	162	-	1,100
BGU Symposium	249	171	3,336	4,750	1,834
Bughouse	100	77	-	-	177
Business Services Bureau	127	2	-	-	129
Campus Events	-	-	12,142	12,142	-
Career Development & Placement	2	-	-	-	2
CCC/Parents Adv Council	110	1,565	10	-	1,665
Center For Inner Studies	920	3,800	1,189	-	3,531
Center for Teaching & Learning	-	405	-	-	405
Child Care Center	27,611	10,562	19,599	-	18,574
CICS Health Fair	506	7	-	-	513
Clean-up Buildings & Grounds	8,776	34	8,183	250	877
Coalition of University and Business	56	1	-	-	57
College of Educ Bldg Fund	1,266	1,508	-	-	2,774
Computerized Dynamics	-	-	3,261	5,000	1,739
Continuing Education	352	5	-	-	357
CTC/LEAP	572	18,232	-	-	18,804
CTC/Play for Peace	176	2	23	-	155
CTC/Upw Bound/Talent Srch	250	3	-	-	253
Distinguished Lecture Series	848	34	-	-	882
Donald Bulucos	2,085	-	-	-	2,085
Elizabeth I.anderholm	30	-	-	-	30

Northeastern Illinois University Foundation

Schedule of Changes in Net Assets  
For the year ended June 30, 2005

	Balance July 1, 2004	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2005
Emily Nugent School Fund	310	4	-	-	314
Englewood School District	271	3	-	-	274
Ensemble Espanol	25	7,493	-	-	7,518
Environmental Studies	10,489	3,363	55	-	13,797
European Union Conference	1,682	168	-	-	1,850
Exercise/Alcohol Research	573	8	-	-	581
Eyewitness Event	33	-	-	-	33
Faculty Research Reserve	9,856	694	-	(9,856)	694
Fine Arts Initiative	16,830	733	-	-	17,563
Geography and Environmental Studies	11,652	690	-	-	12,342
Geography Literacy Project	269	4	-	-	273
Golden Eagle Scholarship Team	5,831	236	-	-	6,067
Great Lakes Research	27	-	-	-	27
Hillel	150	2	-	-	152
How Dwarfs Win Against Giants	-	-	1,596	5,000	3,404
International Study Abroad	21,481	6,158	1,380	200	26,459
Itkins Children Clinic	10,421	418	100	-	10,739
Jo Ann Karr	2,500	-	2,500	-	-
Joaquin Villegas	708	-	-	-	708
Judith Kaplan-Weinger	370	-	-	-	370
Kane Golf Outing	12,113	19,672	14,565	-	17,220
Kevin Coulson	151	-	-	-	151
L. Novakovich Award in Music	750	507	750	-	507
Landscaping	1,117	305	-	-	1,422
Laurie Fuller	190	-	-	-	190
Library	11,195	4,563	7,317	1,015	9,456
Lindman Puppetry Fund	963	39	-	-	1,002
Markham Prairie	8,292	518	-	-	8,810
Mazon Creek	3,680	660	228	-	4,112
Midwest Regional Chapter	106	1	-	-	107
Mossadegh Leadership Fund	14,796	2,940	-	-	17,736
Mostly Music At NEIU	2,931	17,153	17,665	-	2,419
Music Honorarium Fund	65	1	-	-	66
NASAP	2	-	-	-	2
NEIU Campus Documentary	-	-	6,044	6,548	504
NEIU Opera Fund	22,021	6,222	27,940	-	303
Partners in Prevention	215	3	-	-	218
Pending Account	378	1,525	-	(1,621)	282
Persian Concert	158	1,172	1,170	-	160
Presidential Seminar	2,490	101	-	-	2,591
President's Fund	-	-	8,093	8,093	-
Project Torres	7	-	-	-	7
Projecto Pa'Lante	186	3	-	30	219
Rachel Adeodu	2,500	-	-	-	2,500
Russell Zanca	282	-	-	-	282
S. Koval Mem Collection	3,722	148	102	-	3,768
Science Fair Central	1,361	55	-	-	1,416
Selina Mushi	295	-	-	-	295
Sociology/Sienkowski	550	8	-	-	558
Sood Collection Fund	219	753	772	-	200
Stage Center Theatre	1,494	269	-	-	1,763
Student Account-Apocalypse	30	-	-	-	30
Student Retention Program	4,767	193	-	-	4,960
Student with Disabilities	857	35	-	-	892
Studies in Aging Adults	132	2	-	-	134
Summer Faculty Inst. on Learning Tech	38	1	-	-	39

**Northeastern Illinois University Foundation**

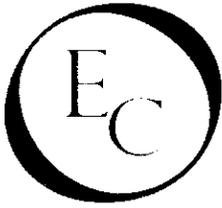
**Schedule of Changes in Net Assets  
For the year ended June 30, 2005**

	Balance July 1, 2004	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2005
Summer Inst for Islamic Studies	-	5,306	-	-	5,306
The Cliff Dwellers Arts Fdn Piano Series	101	1	-	-	102
The Reading Center	95	2	-	-	97
Thomas Ray Weaver	2,414	-	-	-	2,414
Toxicology of Phthalate Esters	-	-	795	5,000	4,205
Undistributed Income	13,665	796	-	-	14,461
University Video Service	623	9	-	-	632
William J. Pizzi	2,062	-	1,569	-	493
Windy City Int'l Doc Film Festival	-	-	600	600	-
Women's Services Program	403	127	-	-	530
WZRD radio Station	-	25	-	-	25
Yihao/Phyliss Shabat	441	-	-	-	441
Subtotal	<u>269,940</u>	<u>122,358</u>	<u>148,277</u>	<u>38,451</u>	<u>282,472</u>
Scholarships and Memorials:					
Arturo Najera Schol Inc	368	3	300	34	105
B & E Rattner Schol Inc	512	1	400	(79)	34
B. Brommel Faculty Merit Fd	3,875	193	-	3,320	7,388
Busse Mem Merit Fund Inc	2,899	33	3,000	1,316	1,248
C. Halberg Mem Award Inc.	470	5	-	(265)	210
Calixto Maso Schol Inc	1,840	28	1,200	415	1,083
Chuck Kane Mem Fd Inc	1,091	19	800	414	724
Class Gift Scholarship Fd Inc	369	19	1,000	1,356	744
D. Kuzuhara Award Inc	-	1	1,200	1,236	37
Elaine Helman Award Inc	1,614	19	-	(892)	741
Elvina David Mem Fd Inc	16,196	-	10,000	(6,195)	1
Endowment Other Income	1,062	39	-	412	1,513
F. Fritzman Mem Fd Inc	788	6	-	(570)	224
Gus Ziagos Mem Inc	468	17	250	411	646
H & B Rotman Schol Inc	589	17	-	54	660
J Rodriguez Schol Inc	498	3	300	(108)	93
Jenny & Edward Harju Mem. Inc.	-	-	750	752	2
Jerome Sachs Schol Inc	330	16	250	510	606
Jewell Berlinger Mem Inc	2,303	-	1,200	(1,103)	-
Joan Sachs Schol Inc	946	10	300	(266)	390
M. Kooyunjian Mem Fd Inc	1,452	82	3,250	4,878	3,162
Mex/Mex-Am Schol Inc	9	9	-	319	337
Mozzi Mem Fd for NEIU Reading Inc	927	22	-	(91)	858
NEIU Kane Schol Inc	-	21	-	779	800
NEIU/Inland Schol Inc	4,452	48	3,000	323	1,823
P. Levy Mem Fd Income	425	8	500	388	321
Peter Speltz Mem Inc	969	7	-	(700)	276
R. Williams Mem Fd Inc	738	-	950	212	-
S.P. Appel Income	461	-	750	291	2
Sood Collec Endowm Fund Inc	-	1	-	39	40
The Brommel Distinguished Prof Award	-	13	-	500	513
Subtotal	<u>45,651</u>	<u>640</u>	<u>29,400</u>	<u>7,690</u>	<u>24,581</u>
Total Expendable Restricted Net Assets	<u>562,705</u>	<u>296,735</u>	<u>257,039</u>	<u>31,503</u>	<u>633,904</u>

**Northeastern Illinois University Foundation**

**Schedule of Changes in Net Assets  
For the year ended June 30, 2005**

	Balance July 1, 2004	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2005
<b>NONEXPENDABLE</b>					
Scholarships and Memorials					
Arturo Najera Scholarship	8,879	576	-	(34)	9,421
B. Brommel Condo Scholarship Fd	-	33,600	-	516,171	549,771
Bernard and Ethel Rattner	9,552	627	-	80	10,259
Bernard Brommel Fund	158,960	116,136	-	(3,319)	271,777
Brommel-Mendelson-Hennington	-	500	-	-	500
Busse Mem Merit Fund	93,119	8,106	-	(1,315)	99,910
C. Kane NEIU Student Sch	17,203	1,069	-	(778)	17,494
Calixto Maso	49,829	9,778	-	(415)	59,192
Chuck Kane Memorial Fund	33,256	2,138	-	(415)	34,979
Clarice Halberg Memorial	4,513	311	-	265	5,089
Class Gift Scholarship Fd	38,121	3,653	-	(1,356)	40,418
Daniel Kuzuhara Award	27,301	1,990	-	(1,236)	28,055
Elaine Helman Memorial	15,954	1,097	-	892	17,943
Elvina David Mem Fund	192,281	13,004	-	7,493	212,778
Endowment Other	65,161	306,598	-	(412)	371,347
Frank Fritman Memorial	4,821	350	-	570	5,741
Harry and Bea Rotman Scholarship	14,198	921	-	(54)	15,065
Jenny & Edward Harju Mem. Schol.	27,130	3,847	-	(753)	30,224
Jerome Sachs Scholarship	18,592	1,497	-	(511)	19,578
Jewell Berlinger Scholarship	26,266	2,282	-	1,115	29,663
Joan Sachs Memorial Scholarship	15,039	996	-	266	16,301
John & Eva Krump Scholarship in Music or Art	-	10,709	-	-	10,709
Jorge Rodriguez Scholarship	8,618	568	-	108	9,294
L. Mozzi Memorial Fund	18,474	1,209	-	91	19,774
Mary L. Kooyumjian	139,857	13,579	-	(4,878)	148,558
Mexican American Scholarship	7,244	451	-	(319)	7,376
NEIU/Inland Scholarship	105,530	6,848	-	(323)	112,055
P. Levy Mem Scholarship	17,951	1,410	-	(388)	18,973
Peter Speltz Memorial Scholarship	5,926	431	-	700	7,057
Ronald Williams Memorial	20,975	1,884	-	(211)	22,648
S.P. Appel Scholarship	16,643	3,195	-	(292)	19,546
Smith Barney Mercantile Fdn Scholarship	-	32,007	1,500	2,332	32,839
Sood Collection Endowment Fund	858	1,385	-	(39)	2,204
Ziagos Memorial Scholarship	19,406	1,237	-	(411)	20,232
	<u>1,181,657</u>	<u>583,989</u>	<u>1,500</u>	<u>512,624</u>	<u>2,276,770</u>
Charitable Remainder Trust	<u>375,000</u>	<u>185,000</u>	<u>42,579</u>	<u>(517,421)</u>	<u>-</u>
Total Nonexpendable Restricted Net Assets	<u>1,556,657</u>	<u>768,989</u>	<u>44,079</u>	<u>(4,797)</u>	<u>2,276,770</u>
<b>TOTAL FOUNDATION NET ASSETS</b>	<u><u>\$ 2,733,351</u></u>	<u><u>\$ 1,239,825</u></u>	<u><u>\$ 464,447</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,508,729</u></u>



**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the business-type activities of Northeastern Illinois University Foundation (Foundation) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 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 the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of internal control deficiencies, which we have reported to management of the Foundation in a separate letter dated September 30, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*E. C. Gentry & Co. LLP*  
September 30, 2005