



KESSLER ORLEAN SILVER
CERTIFIED PUBLIC ACCOUNTANTS

Northeastern Illinois University Foundation

Financial Statements

June 30, 2016 and 2015

Northeastern Illinois University Foundation

Table of Contents

	Page
I. Introductory Section	
Agency Officials	1
Financial Statement Report	2
II. Financial Section	
Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-8
Basic Financial Statements	
Statements of Financial Position	9
Statements of Activities and Changes in Net Assets	10
Statements of Cash Flows	11
Notes to the Basic Financial Statements	12-20
Required Supplementary Information	
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>	21-22
Prior Year Finding not Repeated	23

Northeastern Illinois University Foundation

Agency Officials

For the Year Ended June 30, 2016

Agency Officials

President	John Roskopf
Vice-President	Lawrence Frank, PhD
Treasurer	Neal Fenwick
Secretary	Mark Van Ausdal
Executive Director, Vice President for Institutional Advancement	Liesl Downey
Campaign and Individual Giving Manager	Carolyn McCormick
Business Manager	Melva Acevedo-Ryan
Director of Development	Sylvia Daniels

Agency office is located at:

5500 North St. Louis Avenue
Chicago, Illinois 60625

Northeastern Illinois University Foundation

Financial Statement Report

For the Year Ended June 30, 2016

Summary

The audit of the accompanying basic financial statements of the Northeastern Illinois University Foundation (the "Foundation") was performed by Kessler Orlean Silver & Company, P.C.

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

The auditor's 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 auditor's opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Summary of Finding Not Repeated

No findings were identified in the 2016 and 2015 audits.

Exit Conference

The results of the audit were discussed with Foundation personnel via teleconference on November 3, 2016.



Independent Auditor's Report

To the Board of Trustees
Northeastern Illinois University Foundation
Chicago, IL

We have audited the accompanying financial statements of Northeastern Illinois University Foundation (a not-for-profit corporation) which comprise the statement of financial position, as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Northeastern Illinois University Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Respectfully submitted,



Kessler, Orlean, Silver & Company, P.C.
Certified Public Accountants

Deerfield, Illinois
November 3, 2016

Northeastern Illinois University Foundation

Management's Discussion and Analysis

For the Year Ended June 30, 2016

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 Financial Position; Statement of Activities; Statement of Cash Flows; and Notes to Financial Statements are required by 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 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, 2016.

Financial Highlights

Statement of Financial Position

The Statement of Financial Position 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 and unrestricted. Restricted net assets are further divided into expendable and nonexpendable. Expendable restricted net assets are available for expenditures 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

	<u>2016</u>	<u>2015</u>
Total Current Assets	\$ 2,569,564	\$ 2,917,086
Total Non-Current Assets	<u>8,610,605</u>	<u>8,791,961</u>
Total Assets	<u>\$ 11,180,169</u>	<u>\$ 11,709,047</u>
Total Current Liabilities	\$ 448,957	\$ 597,817
Total Non-Current Liabilities	<u>284,754</u>	<u>124,655</u>
Total Liabilities	<u>\$ 733,711</u>	<u>\$ 722,472</u>
Total Net Assets	<u>\$ 10,446,458</u>	<u>\$ 10,986,575</u>

Total assets of the Northeastern Illinois University Foundation decreased 4.52% in fiscal year 2016. This is attributable to the effect of market fluctuations in the value of investments in the current economy.

Northeastern Illinois University Foundation

Management's Discussion and Analysis

For the Year Ended June 30, 2016

Condensed Statement of Net Assets (Continued)

The Foundation uses its assets to support excellence in Northeastern Illinois University (NEIU) 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, 2016 and 2015 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 held in perpetuity (nonexpendable).

Summary of Net Assets

	<u>2016</u>	<u>2015</u>
Restricted		
Nonexpendable	\$ 8,602,604	\$ 8,783,961
Expendable	1,179,251	1,423,415
Unrestricted	<u>664,603</u>	<u>779,199</u>
Total Net Assets	<u>\$ 10,446,458</u>	<u>\$ 10,986,575</u>

During the year ending June 30, 2016, the Foundation's net assets decreased by \$540,117 or 4.92%. In comparing fiscal years 2016 and 2015, the decrease in net assets is attributable to a decrease in the value of investments and an increased adjustment in liability.

Statement of Activities

The purpose of the Statement of Activities is to present the revenues received by the Foundation, both operating and non-operating, and expenses paid by the Foundation.

	<u>2016</u>	<u>2015</u>
Operating Revenues	\$ 724,146	1,154,273
Operating Expenses	<u>1,738,662</u>	<u>879,081</u>
Operating Income	(1,014,516)	275,192
Additions to Permanent Endowments	<u>474,399</u>	<u>1,244,104</u>
(Decrease) Increase in Net Assets	(540,117)	1,519,296
Net Assets, Beginning of Year	<u>10,986,575</u>	<u>9,467,279</u>
Net Assets, End of Year	<u>\$ 10,446,458</u>	<u>\$ 10,986,575</u>

Northeastern Illinois University Foundation

Management's Discussion and Analysis

For the Year Ended June 30, 2016

Statement of Activities (Continued)

Many sources make up the Foundation's operating revenues.

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Contributions	\$ 1,060,191	\$ 1,156,443
Investment Income	(444,589)	(121,086)
Personal Service Costs, Facility Use and Other costs provided by NEIU to the Foundation	<u>108,544</u>	<u>118,916</u>
 Total Operating Revenues	 <u><u>\$ 724,146</u></u>	 <u><u>\$ 1,154,273</u></u>

Funds provided by Northeastern Illinois University represent personnel costs, facility use and other miscellaneous costs.

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.

Investment income has been discussed elsewhere in this report. Decrease in cash flows from operating activities is attributable to an increase in payments to suppliers and students.

Cash Flows from Investing Activities

	<u>2016</u>	<u>2015</u>
Purchase of Certificates of Deposit	\$ (175,519)	\$ -
Proceeds from Sales of Investments	2,055,617	10,999,116
Purchases of Investments	<u>(3,178,090)</u>	<u>(12,469,561)</u>
 Net Cash (Used) by Investing Activities	 <u><u>\$ (1,297,992)</u></u>	 <u><u>\$ (1,470,445)</u></u>

Northeastern Illinois University Foundation

Management's Discussion and Analysis

For the Year Ended June 30, 2016

Statement of Cash Flows (Continued)

Cash Flows from Financing Activities

	<u>2016</u>	<u>2015</u>
Contributions Restricted for Long-Term Purposes	\$ 474,399	\$ 1,433,809
Net Cash Provided by Investing Activities	<u>\$ 474,399</u>	<u>\$ 1,433,809</u>

Factors Affecting the Future:

As part of the NEIU Strategic Plan for FY17, the NEIU Foundation and members of the University's Institutional Advancement staff have put forth the following goals to increase income:

- Launch the public phase of *Transforming Lives: The Campaign for Northeastern Illinois University* in spring 2017, ending in December 2018.
- Participate in planning the University's sesquicentennial celebration and ensure that the rollout of *Transforming Lives* and the sesquicentennial are complimentary.
- Add new members to the NEIU Foundation board of directors.
- Determine process and approach to development of a strategic plan for the NEIU Foundation.
- Participate in the nationwide social media day of giving, #Giving Tuesday, on November 28, and plan and implement a Northeastern-specific social media day in Spring 2017.
- Corporate and Foundation Relations will identify an additional 50 prospects and submit at least 30 proposals.
- Development will meet the \$500,000 goal for the Goodwin Gift Challenge by December 31, 2016, and will widely publicize this success along with the communication of the 2017 goal for the Goodwin Gift Challenge.

Through the public launch of the capital campaign and the continuation and enhancement of our annual programs, we expect continued growth to our donor base.

Northeastern Illinois University Foundation

Statements of Financial Position

June 30, 2016 and 2015

Assets		
	2016	2015
Current Assets		
Cash and Cash Equivalents (Note 2)		
Held for Foundation	\$ 351,155	\$ 1,364,958
Held in Custody	236,655	275,960
Short Term Investments (Note 2)		
Held for Foundation	1,418,666	769,358
Held in Custody	186,345	296,857
Certificates of Deposit	175,519	-
Contributions Receivable	201,224	209,369
Prepaid Expenses and Other Assets	-	584
Total Current Assets	2,569,564	2,917,086
Noncurrent Assets		
Endowment Investments (Note 2)	8,186,073	8,365,717
Assets Held Under Split-Interest Agreements	416,532	418,244
Other Assets (Note 3)	8,000	8,000
Total Noncurrent Assets	8,610,605	8,791,961
Total Assets	\$ 11,180,169	\$ 11,709,047
Liabilities and Net Assets		
	2016	2015
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 10,795	\$ -
Obligations Under Split-Interest Agreement - Current Portion	15,162	25,000
Custodial Funds	423,000	572,817
Total Current Liabilities	448,957	597,817
Long-Term Liabilities		
Obligations Under Split-Interest Agreement	284,754	124,655
Net Assets		
Restricted		
Nonexpendable		
Scholarship and Memorials	8,602,604	8,783,961
Expendable		
Academics	192,315	195,065
Scholarship and Memorials	517,498	437,518
Alumni Association	48,619	55,333
Other	420,819	735,499
Total Expendable	1,179,251	1,423,415
Total Restricted	9,781,855	10,207,376
Unrestricted	664,603	779,199
Total Liabilities and Net Assets	\$ 11,180,169	\$ 11,709,047

See accompanying notes to the financial statements.

Northeastern Illinois University Foundation

Statements of Activities and Changes in Net Assets

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues		
Operating Revenues		
Contributions	\$ 1,060,191	\$ 1,156,443
Investment Income	(444,589)	(121,086)
Personal Service Costs, Facility Use and Other Costs Provided by NEIU to the Foundation (Note 4)	<u>108,544</u>	<u>118,916</u>
Total Operating Revenues	<u>724,146</u>	<u>1,154,273</u>
Expenses		
Institutional Support	570,143	482,175
Scholarship and Fellowship	256,991	162,233
Personal Service Costs, Facility Use and Other Costs Provided by NEIU to the Foundation (Note 4)	108,544	118,916
Grants and Awards	633,676	115,757
Loss on Split Interest Agreement	<u>169,308</u>	<u>-</u>
Total Operating Expenses	<u>1,738,662</u>	<u>879,081</u>
Operating Income	<u>(1,014,516)</u>	<u>275,192</u>
Additions to Permanent Endowments	<u>474,399</u>	<u>1,244,104</u>
Change in Net Assets	(540,117)	1,519,296
Net Assets at Beginning of Year	<u>10,986,575</u>	<u>9,467,279</u>
Net Assets at End of Year	<u><u>\$ 10,446,458</u></u>	<u><u>\$ 10,986,575</u></u>

See accompanying notes to the financial statements.

Northeastern Illinois University Foundation

Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Contributions Received for Operating Purposes	\$ 1,068,336	\$ 1,179,007
Interest and Dividends Received	320,039	330,492
Cash Paid as Custodial Funds	(149,817)	(193,719)
Payments to Suppliers and Students	(1,454,723)	(769,585)
Payments to Beneficiaries of Split-Interest Agreements	(13,350)	(40,050)
	(229,515)	506,145
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Investing Activities		
Purchase of Certificates of Deposit	(175,519)	-
Proceeds from Sales of Investments	2,055,617	10,999,116
Purchases of Investment	(3,178,090)	(12,469,561)
	(1,297,992)	(1,470,445)
Net Cash Used by Investing Activities		
Cash Flows from Financing Activities		
Contributions Restricted for Long-Term Purposes	474,399	1,433,809
	474,399	1,433,809
Net Increase (Decrease) in Cash and Cash Equivalents	(1,053,108)	469,509
Cash and Cash Equivalents, Beginning of Year	1,640,918	1,171,409
Cash and Cash Equivalents, End of Year	\$ 587,810	\$ 1,640,918
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Change in Net Assets	\$ (540,117)	\$ 1,519,296
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operating Activities		
Change in Market Value of Investments Held	50	1,658,413
Realized Gain on Sale of Investments	764,983	(1,206,834)
Loss on Split Interest Agreement	169,308	-
Contributions Received for Long-Term Purposes	(474,399)	(1,433,809)
Changes in Assets and Liabilities		
Contributions Receivable	8,145	22,564
Prepaid Expenses	584	9,024
Accounts Payable and Accrued Expenses	10,795	(18,445)
Obligations Under Split-Interest Agreement	(19,047)	149,655
Cash Held as Custodial Funds	(149,817)	(193,719)
	(229,515)	506,145
Net Cash Provided (Used) by Operating Activities	\$ (229,515)	\$ 506,145

See accompanying notes to the financial statements.

Northeastern Illinois University Foundation

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

Note 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 (the “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 as part of the University’s financial statements and the State of Illinois 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.

Basis of Presentation

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

The financial statement presentation required by GASB Statement 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.

For financial reporting purposes, the Foundation is considered a special-purpose government unit 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.

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.

Northeastern Illinois University Foundation

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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.

Fair Value of Financial Instruments

The fair value of financial instruments including cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued expenses approximates the carrying values, principally because of the short maturity of those items.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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.

Northeastern Illinois University Foundation

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Investments

Investments in marketable securities are stated at their fair values. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains are recorded as unrestricted net assets unless restricted by the donor or by law.

The Foundation adopted provisions of FASB ASC 820-10, which provides a framework for measuring fair value under GAAP. That standard defines fair value as the exchange price that would be received for an asset or paid for a liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standard also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Assets Held Under Split-Interest Agreements

In accordance with the Foundation's accounting for investments, assets held under split-interest agreements are stated at their fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Split-Interest Agreements

Split-interest agreements are valued at fair value at the time of donation with a corresponding liability recorded for the present value of the expected payments due to the donors or third-party beneficiary with the difference recorded as contributions in the net asset type based on the donor's restriction. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions.

Net Assets

Restricted Net Assets – Nonexpendable: Nonexpendable restricted net assets consist of endowment funds. 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 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.

Northeastern Illinois University Foundation

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Income Taxes

The Foundation is a not-for-profit that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

The Foundation files U.S. federal and Illinois state informational tax returns. The federal and state informational tax returns of the Foundation for years ended June 30, 2016, 2015 and 2014, can be subject to examinations by tax authorities, generally for three years after they were filed. The Foundation recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses. At June 30, 2016 and 2015, there was no interest or penalties relating to income taxes recognized in the statements of activities and change in net assets.

Subsequent Events

Management has evaluated subsequent events through November 3, 2016, the date the financial statements were available to be issued.

Note 2 – Cash and Cash Equivalents and Investments

A reconciliation of cash and investments as shown on the June 30, 2016 and 2015 Statement of Net Assets is as follows:

	<u>2016</u>	<u>2015</u>
Cash, Held for Foundation	\$ 351,155	\$ 1,364,958
Cash, Held in Custody	236,655	275,960
Total Cash and Cash Equivalents	<u>\$ 587,810</u>	<u>\$ 1,640,918</u>
Short Term Investments, Held for Foundation	\$ 1,418,666	\$ 769,358
Short Term Investments, Held in Custody	186,345	296,857
Endowment Investments	8,186,073	8,365,717
Assets Held Under Split-Interest Agreement	416,532	418,244
Total	<u>\$ 10,207,616</u>	<u>\$ 9,850,176</u>

Northeastern Illinois University Foundation

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

Note 2 – Cash and Cash Equivalents and Investments (Continued)

Investments at fair value consist of the following at:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Mutual Funds	<u>\$ 10,207,616</u>	<u>\$ 9,850,176</u>

Custodial Credit Risk

Custodial credit risk is the potential for a financial institution or counterparty to fail such that the Foundation would not be able to recover the value of deposits, investments or collateral securities that are in the possession of an outside party. The Foundation is aware of such risk and is comfortable with its deposits at Chicago area major banks.

The Foundation maintains its cash in several separate accounts at two different institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. As of June 30, 2016 and 2015, the combined uninsured balance was \$466,848 and \$1,509,976, respectively. The Foundation has not experienced any loss in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash balance.

Credit Risk

Credit risk is the risk that an issuer or counterparty to a debt investment will not fulfill its obligations. The Foundation's investment policy limits investments in corporate securities rated "Baa" or higher.

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 following funds held by TD Ameritrade, Nebraska:

The composition of the investments is as follows:

<u>Fund Name</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Acadian Emerging Markets	\$ -	\$ 1,218,653
Advisors Inner Circle Acadian Emerging	952,808	-
Dodge & Cox Income	2,432,641	488,312
Dreyfus Emerging Markets	-	100,470
Hotchkis & Wiley High Yield	506,189	703,844
Ivy Funds International Core Equity	1,602,088	-
Ivy International Core Equity	-	1,613,878
Kayne Anderson MLP	-	349,160

Northeastern Illinois University Foundation

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

Note 2 – Cash and Cash Equivalents and Investments (Continued)

<u>Fund Name</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
PIMCO All Asset Class A	-	-
PIMCO Commodity Real Ret Strat Inst'l	203,802	505,034
PIMCO Foreign Bond	255,191	427,506
Prudential Global Real Estate	410,075	659,275
SteelPath Funds	613,618	-
Tortoise Energy Infrastructure	-	351,235
Vanguard Inflation Protected	199,870	295,038
Vanguard Small Cap Index	721,331	701,465
Vanguard 500 Index Admiral	2,056,746	2,005,183
Wells Fargo Advange Int'l Bond Inst'l	253,257	431,123
Total	<u>\$ 10,207,616</u>	<u>\$ 9,850,176</u>

The composition of the investments is as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Cash	\$ 150,625	\$ 312,097
U.S. Stocks	3,606,557	4,376,829
Non U.S. Stocks	2,631,730	3,078,804
Bonds	3,565,139	2,225,185
Others	253,565	(142,739)
Total	<u>\$ 10,207,616</u>	<u>\$ 9,850,176</u>

The Foundation's holdings as rated by Morningstar are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Five Stars	\$ 2,925,554	\$ 1,131,350
Four Stars	5,872,194	6,114,386
Three Stars	1,409,868	2,154,810
Two Stars	-	449,630
Total	<u>\$ 10,207,616</u>	<u>\$ 9,850,176</u>

Northeastern Illinois University Foundation

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

Note 2 – Cash and Cash Equivalents and Investments (Continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, as a long-term guideline, the Foundation's investments will normally constitute 80% equity investments and 20% fixed-income securities. Interest rate risk is managed according to the purpose of the investments and the projected timeframe for the use of these assets. Foundation investments in bond mutual funds as of June 30, 2016 and 2015 have an average maturity of 7.99 and 6.15 years, respectively.

Country/Regional Risk and Foreign Currency Risk

Country/Regional risk is the risk that domestic events – such as political upheaval, financial troubles, or natural disasters – will weaken a country's or region's securities markets. Foreign Currency risk is the risk that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. The Foundations investment policy limits investments in an international portfolio to 25%. An international portfolio may contain equities issued by companies operating in emerging markets which should not represent more than 5% of all Foundation assets invested in equities.

The Foundation's investments were distributed among the following currencies:

<u>Currency</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
U.S. Dollar	\$ 9,963,049	\$ 6,614,629
Japanese Yen	57,132	266,922
Chinese Yuan	23,585	231,172
Euro	34,939	182,703
Other Currencies, Individually Less Than 5% of Fund Portfolio	128,911	2,554,750
Total	<u>\$ 10,207,616</u>	<u>\$ 9,850,176</u>

Note 3 – Noncurrent Other Assets

Non-current other assets consist of a sculpture that was donated to the Foundation.

Note 4 – Northeastern Illinois University Agreement

On July 1, 2005, the Foundation entered into an agreement with Northeastern Illinois University. Under the terms of the contract, the Foundation aids and assists the University in developing facilities for broader educational opportunities for the service to its students, alumni and citizens of the State of Illinois and of the United States by encouraging gifts of money, property, works of art, historical and other material having educational, artistic and historical value.

Northeastern Illinois University Foundation

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

Note 4 – Northeastern Illinois University Agreement (Continued)

In turn, the University will furnish certain services necessary to the operation of the Foundation. The contract may be cancelled upon ninety days written notice by either party. In 2010, the NEIU Alumni Association become part of the Foundation.

During fiscal year 2016, certain personnel services and facilities of the University with an estimated value of \$108,544 were provided to the Foundation without charge. In turn, the Foundation provided the University with support in the amount of \$1,345,348.

During fiscal year 2015, certain personnel services and facilities of the University with an estimated value of \$118,916 were provided to the Foundation without charge. In turn, the Foundation provided the University with support in the amount of \$745,460.

During FY 2007, the Foundation received became the fiscal agent for the Gaining Early Awareness and Readiness for Undergraduate Program (“GEAR UP”) scholarship fund which had been set up by the University. The funds were invested and restricted for use by the GEAR UP program. During FY 2016 and 2015, scholarships were awarded in the amount of \$146,752 and \$194,155 to colleges and universities, respectively. Cash held in custody relates to funds held for the Gear-Up Grant and Gear-Up College Success Scholarship Fund.

GEAR UP’s assets and liabilities are included in the Statement of Financial Positions and are as follows at June 30, 2015 and 2016:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Cash - Held in Custody	\$ 236,655	\$ 275,960
Investments - Held in Custody	<u>186,345</u>	<u>296,857</u>
Total Assets Held for GEAR UP	<u>\$ 423,000</u>	<u>\$ 572,817</u>
Custodial Liability - GEAR UP	<u>\$ 423,000</u>	<u>\$ 572,817</u>

Northeastern Illinois University Foundation

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

Note 5 – Split-Interest Agreement

The Organization is the administrator of a charitable remainder trust. The following activity related to the charitable remainder trust is included in the Statement of Financial Position and Statement of Activities and Changes in Net Assets:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets Held Under Split Interest Agreement	<u>\$ 416,532</u>	<u>\$ 418,244</u>
Current Portion - Obligations Held Under Split Interest Agreement	\$ 15,162	\$ 25,000
Long Term - Obligations Held Under Split Interest Agreement	<u>284,754</u>	<u>124,655</u>
Total Obligations Held Under Split Interest Agreement	<u>\$ 299,916</u>	<u>\$ 149,655</u>
Loss on Split Interest Agreement	<u>\$ 169,308</u>	<u>\$ -</u>

Note 6 – 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 Uniform Management of Institutional Funds Act (UMIFA) and the Uniform Prudent Management of Institutional Act (UPMIFA), 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.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Northeastern Illinois University Foundation
Chicago, IL

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Northeastern Illinois University Foundation, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Northeastern Illinois University Foundation's basic financial statements, and have issued our report thereon dated November 3, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeastern Illinois University Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeastern Illinois University Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Northeastern Illinois University Foundation's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeastern Illinois University Foundation's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kessler, Orlean, Silver & Company, P.C.".

Kessler, Orlean, Silver & Company, P.C.

Certified Public Accountants

Deerfield, Illinois
November 3, 2016

Northeastern Illinois University Foundation

Prior Year Finding Not Repeated

June 30, 2016

There were no findings for the audit as of June 30, 2015.