

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010  
AND  
INDEPENDENT AUDITOR'S REPORT

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2011 and 2010

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	1
Alumni Association Officials	2
Auditor's Reports	
Independent Auditor's Report	3
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>	4
Management's Discussion and Analysis	6
Financial Statements	
Statements of Net Assets	12
Statements of Revenues, Expenses and Changes in Net Assets	13
Statements of Cash Flows	14
Notes to Financial Statements	16

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

ALUMNI ASSOCIATION OFFICIALS

June 30, 2011

The Alumni Association Board of Directors include:

Mr. Gary Miller, President	Ms. Mary Beth Huffmann
Ms. Nancy Elwess, Vice President	Ms. Cassie Lively
Mr. Hugh O'Hara, Secretary-Treasurer	Mr. Tim McCollum
Mr. Rene Hutchinson, Immediate Past President	Ms. Michelle Ochs
Mr. Paul Aguilar	Mr. Brian Ormiston
Ms. Chelsey Byers	Mr. Roger Perkins
Mr. Chris Caldwell	Ms. Colleen Soto
Mr. Mike Carter	Ms. Julie Sterling
Mr. Tom DuBois	Ms. Bonita Tillman
Mr. Matt Ewald	Mr. Jeff Wright
Ms. Jamie Fitzgerald	

Ms. Judy Sunderman, EIU Foundation Member Ex-Officio  
Mr. Roger Kratochvil, EIU Board of Trustees Member Ex-Officio

The Executive Director of the Alumni Association is Mr. Steve Rich.

Eastern Illinois University personnel who provide significant administrative support to the Alumni Association include:

Ms. Tami Babbs	Interim Assistant Comptroller
Ms. Jerilyn Hutson	Assistant Director, Alumni Services
Ms. Chelsea Frederick	Assistant Director, Alumni Services

Alumni Association office is located at:

Brainard House  
1548 Fourth Street  
Charleston, IL 61920

DOEHRING, WINDERS & CO. LLP  
Certified Public Accountants  
& Business Advisers  
1601 LAFAYETTE AVENUE  
MATTOON, ILLINOIS 61988

Independent Auditor's Report

Board of Directors  
Eastern Illinois University Alumni Association, Inc.  
Charleston, Illinois

We have audited the accompanying financial statements of the Eastern Illinois University Alumni Association, Inc. (the Association), as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Association's management. 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Association as of June 30, 2011 and 2010, and the respective changes in financial position, and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011, on our consideration of the Association'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-11 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 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.

*Doehring, Winders & Co. LLP*

October 31, 2011

DOEHRING, WINDERS & CO. LLP  
Certified Public Accountants  
& Business Advisers  
1601 LAFAYETTE AVENUE  
MATTYON, ILLINOIS 61988

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 Directors  
Eastern Illinois University Alumni Association, Inc.  
Charleston, Illinois

We have audited the financial statements of Eastern Illinois University Alumni Association, Inc., a component unit of the State of Illinois and Eastern Illinois University, (the Association) as of and for the years ended June 30, 2011 and 2010 and have issued our report thereon dated October 31, 2011. 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

Management of the Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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*.

Compliance and Other Matters (continued)

This report is intended solely for the information and use of management, the Association's Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Doehring, Winders & Co. LLP*

October 31, 2011

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Illinois University Alumni Association, Inc. (Association) annual financial report presents management's discussion and analysis of the financial performance of the Association during the fiscal years ended June 30, 2011 and 2010. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of Association management.

### **Reporting Entity**

The Association is a non-profit corporation and is considered to be a component unit of the State of Illinois and Eastern Illinois University (University), as defined by the Governmental Accounting Standards Board Statement No. 39. This statement defines component units as organizations where the "substance and significance of the relationship between the organization and the primary government (or its component units) would be such that the exclusion of that organization from the reporting entity's financial statements would render those statements misleading or incomplete." Accordingly, the Association is included in the University's financial statements as a discrete component unit. Transactions with the University relate primarily to fostering loyalty and fellowship among the alumni of the University and provide a medium through which the alumni can contribute to the welfare of the University.

The Association is located in Charleston, Illinois. It was established in 1905 as a means of allowing continuing involvement of graduates and former students in the development of their University. The organization sponsors special events for alumni; assists with homecoming, reunions and similar activities; facilitates communication between alumni and the University; assists in maintaining alumni records; and has other initiatives that contribute to the welfare of the University.

### **Using the Annual Report**

These financial statements are prepared in accordance with the guidance found in the statements issued by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; 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 and Management's Discussion and Analysis for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. These statements focus on the financial condition of the Association, the results of operations and cash flows of the Association as a whole.

As prescribed by GASB Statement No. 35, this annual report includes three financial statements: the Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows. The accompanying notes to the financial statements provide more detailed information regarding the items presented on the face of the financial statements. An explanation of the financial statement presentation follows.

The Statements of Net Assets reflect the assets and liabilities of the Association using the accrual basis of accounting and presents the financial position of the Association at a specified point in time. The difference between total assets and total liabilities, known as net assets, is one indicator of the current financial condition of the Association. The increase or decrease in net assets that occur over time indicates the improvement or erosion of the Association's financial condition.

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

**Using the Annual Report - Continued**

The Statements of Revenues, Expenses and Changes in Net Assets present the revenues earned and expenses incurred during the fiscal year. Revenues and expenses are either operating or nonoperating. Under the current reporting model, investment income, interest expense, grants to the University, and scholarships are treated as nonoperating activities.

The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities.

**Financial Highlights**

During the year ended June 30, 2011, the Association's net assets increased by \$74,337 to \$2,133,751. This is attributable to various factors. The Association's operating expenses exceeded operating income by \$37,521 and nonoperating revenue exceeded nonoperating expenses by \$111,858. Net investment income was \$135,432.

During the year ended June 30, 2010, the Association's net assets increased by \$86,214 to \$2,059,414. This is attributable to various factors. The Association's operating expenses exceeded operating income by \$18,778 and nonoperating expenses exceeded nonoperating revenue by \$104,992. Net investment income was \$129,114.

**Condensed Financial Information**

Condensed Statement of Net Assets June 30:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Current assets	\$ 810,984	\$ 921,018	\$ 950,897
Noncurrent assets			
Capital	193,689	199,688	205,687
Other	1,129,164	938,759	816,660
Total noncurrent assets	<u>1,322,853</u>	<u>1,138,447</u>	<u>1,022,347</u>
Total assets	<u>\$ 2,133,837</u>	<u>\$ 2,059,465</u>	<u>\$ 1,973,244</u>
Liabilities			
Current liabilities	\$ 86	\$ 51	\$ 44
Total liabilities	<u>86</u>	<u>51</u>	<u>44</u>
Net assets			
Invested in capital assets	193,689	199,688	205,687
Unrestricted	1,940,062	1,859,726	1,767,513
Total net assets	<u>2,133,751</u>	<u>2,059,414</u>	<u>1,973,200</u>
Total liabilities and net assets	<u>\$ 2,133,837</u>	<u>\$ 2,059,465</u>	<u>\$ 1,973,244</u>

As of June 30, 2011 and 2010, Association assets totaled \$2,133,837 and \$2,059,465, respectively. The largest asset of the Association in either year is its investments of \$1,552,870 at June 30, 2011 and \$1,412,175 at June 30, 2010. The \$140,695 increase in investments in 2011 is due to the \$43,594 investment income (net of fees) reinvested, plus the \$97,101 increase in the fair value of investments as of June 30, 2011. For fiscal year 2010, the \$136,130 increase in investments in 2010 is due to the \$47,131 investment income (net of fees) reinvested, plus the \$88,999 increase in the fair value of investments as of June 30, 2010.



EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

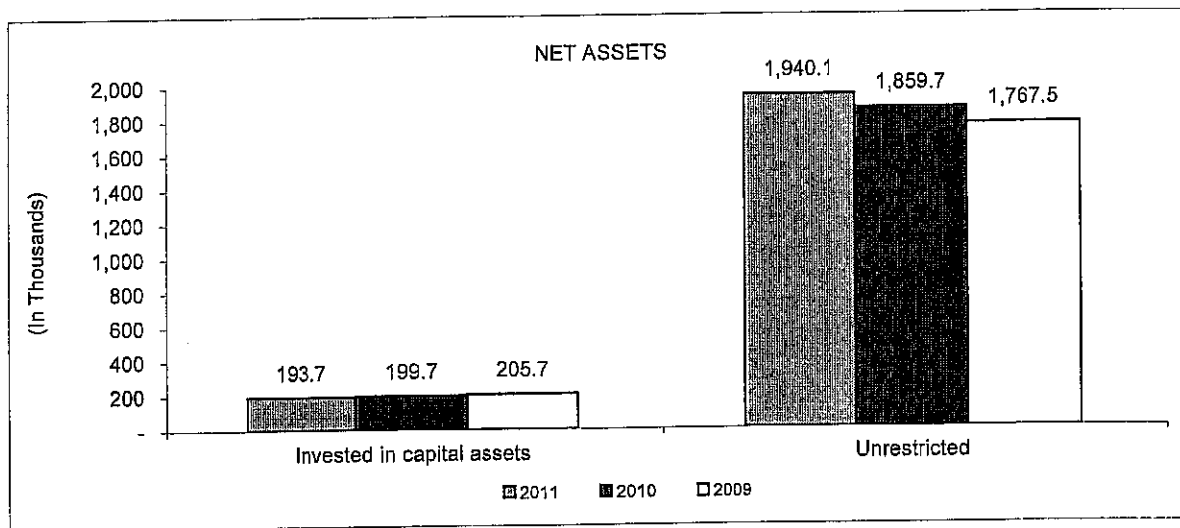
**Condensed Financial Information - Continued**

The Association's current assets of \$810,984 and \$921,018 as of June 30, 2011 and 2010, respectively, were sufficient to cover the current liabilities of \$86 and \$51, respectively. The current ratio of current assets to current liabilities is \$9,430 and \$18,060 in current assets for every \$1 in current liabilities for fiscal years 2011 and 2010, respectively.

There was no significant difference in liabilities from fiscal year 2011 to 2010.

There were no material changes in total net assets between fiscal years 2011 and 2010.

The following graph shows net assets by classification and restriction:



**Condensed Statement of Revenues, Expenses and Changes in Net Assets June 30:**

	2011	2010	2009
Operating revenues	\$ 107,148	\$ 125,939	\$ 126,931
Operating expenses	144,669	144,717	188,582
Operating income (loss)	(37,521)	(18,778)	(61,651)
Net non-operating revenues (expenses)	111,858	104,992	(15,637)
Increase (decrease) in net assets	74,337	86,214	(77,288)
Net assets			
Net assets-beginning of year	2,059,414	1,973,200	2,050,488
Net assets-end of year	<u>\$ 2,133,751</u>	<u>\$ 2,059,414</u>	<u>\$ 1,973,200</u>

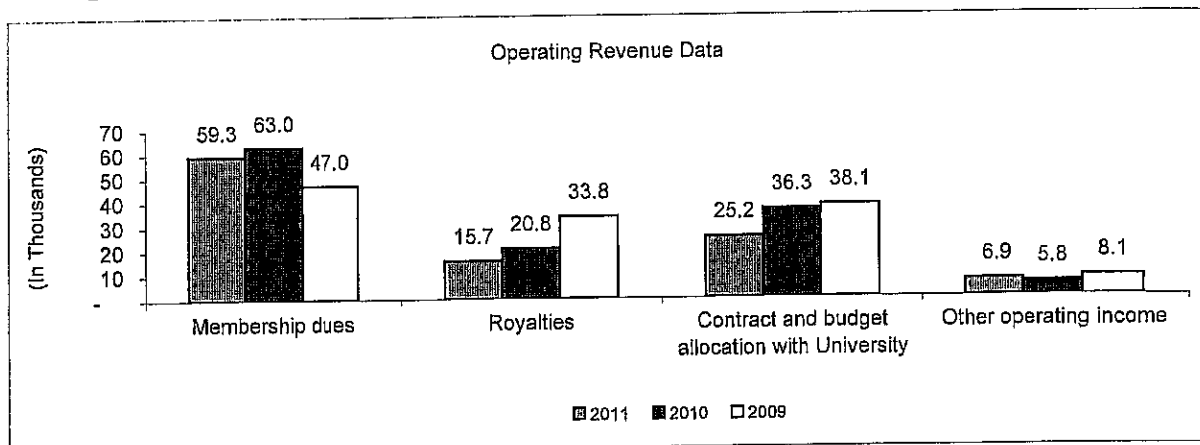
**Operating Revenues**

Total operating revenues for fiscal years 2011 and 2010 were approximately \$107.1 thousand and \$125.9 thousand, respectively. In 2011 and 2010, the majority of the operating revenue was from membership dues, royalty income, service contract and budget allocation with the University. In both years, the most significant sources of operating revenue were membership dues and royalty income.

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Operating Revenues - Continued



Membership Dues

Membership dues assist in covering the cost of keeping in touch with alumni. The benefits from the membership include subscription to "Old Main Line" magazine, use of University library, discounts and first priority on various tickets to events, travel related discounts and various other benefits. New graduates from December 2010 or prior received a complimentary one-year membership and the new graduate only had to pay half of an annual membership if they renewed their membership for a second year. New graduates starting with Spring 2011 are offered a new membership and a second year renewal at half of an annual membership. The following is a list of the cost of memberships:

New Graduate Membership	\$ 15
Annual Membership	\$ 30
Annual Family Membership	\$ 45
Harris Promotional Annual Membership	\$ 25
Life-time Installment Membership (per year for five years)	\$ 100
Life-time Installment Family Membership (per year for five years)	\$ 150
Life Membership	\$ 450
Family Life Membership	\$ 700
Senior Life Membership	\$ 225

The total number of Association paid memberships increased during fiscal year 2011 and decreased during fiscal year 2010. The 2011 increase and 2010 decrease of 47 and 984, respectively, in total memberships were mainly new graduate memberships and complimentary annual memberships (83 and 1,291, respectively). Total membership dues income was \$59 thousand in 2011 and \$63 thousand in 2010. At June 30, 2011, 2010, and 2009, the Association had the following membership breakdown:

	2011	2010	2009
Complimentary Annual Memberships	2,595	2,559	3,850
New Graduate Memberships	144	61	38
Annual Memberships	1,134	1,111	1,096
Annual Family Memberships	291	273	243
Harris Promotional Annual Membership	44	182	-
Life Memberships	279	255	218
Family Life Memberships	103	102	91
Senior Life Memberships	54	54	45
Senior Family Life Memberships	17	17	17
<b>Total Memberships</b>	<b>4,661</b>	<b>4,614</b>	<b>5,598</b>

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

**Royalties**

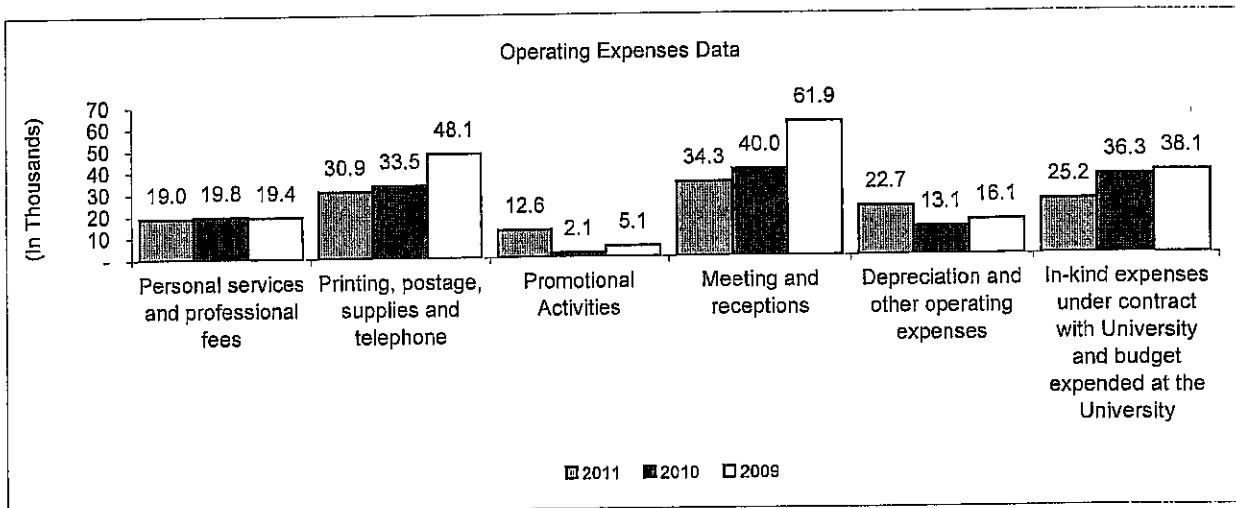
During fiscal year 2005, the Association entered into a new agreement with a bank whereby the Association and the bank will market the bank's credit card services to members of the Association (plus other participants mutually agreed to by the Association and the bank) using the Association's name and logo. Each fiscal year, the net present value amount of the remaining guaranteed payments under this agreement is calculated and the change is recognized as revenue. The final payment was received during fiscal year 2011.

**Service Contract and Budget Allocation from the University**

There were no material differences in the amount of revenue recognized in the service contract between the Association and the University and the amount of budget allocation from the University in 2011 and 2010.

**Operating Expenses**

Operating Expenses for the years ended June 30, 2011 and 2010, totaled \$144,669 and \$144,717, respectively. Of the total for 2011, \$30,902 or 21% was printing, postage, telephone and supplies, \$46,908 or 32% was meeting, receptions and promotional activities, and \$14,069 or 10% was in-kind expenses under contract with the University. Of the total for 2010, \$33,465 or 23% was printing, postage, telephone and supplies, \$42,101 or 29% was meeting, receptions and promotional activities, and \$22,130 or 15% was in-kind expenses under contract with the University. The breakout by expense is highlighted below:



**Other**

The investment income of \$135,432 and \$129,114 for the years ended June 30, 2011 and 2010 was the largest source of nonoperating revenue each year. This is made up of interest and dividends earned of \$38,331 plus an increase in fair market value of investments of \$97,101 for 2011 and interest and dividends earned of \$40,115 plus an increase in fair market value of investments of \$88,999 for 2010. The increases in the fair market values in 2011 and 2010 are primarily due to fluctuations in interest rates and market conditions.

Gifts and grants to the University of \$18,574 and \$15,622 for the years ended June 30, 2011 and 2010 were the largest source of nonoperating expenses each year. The Association awarded approximately \$5,000 in 2011 and \$8,500 in 2010 of scholarships to students.

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

**The Statement of Cash Flows**

The Statements of Cash Flows provide information about the Association's sources and uses of cash during the fiscal year.

Condensed Statement of Cash Flows

	Years ended June 30,		
	2011	2010	2009
Cash provided (used) by:			
Operating activities	\$ 71,730	\$ 88,498	\$ 30,176
Noncapital financing activities	(23,574)	(24,122)	(26,411)
Investing activities	(1)	(1)	993
Net increase in cash and cash equivalents	48,155	64,375	4,758
Cash-beginning of year	320,612	256,237	251,479
Cash-end of year	<u>\$ 368,767</u>	<u>\$ 320,612</u>	<u>\$ 256,237</u>

For fiscal year 2011 and 2010, the major source of funds included in operating activities were royalty payments of \$122,271 and \$123,956, respectively, received mainly from the credit card affinity program. The payments to suppliers totaled \$113,500 for 2011 and \$102,328 for 2010. The use of funds included in noncapital financing activities during 2011 and 2010 are various gifts to the University of \$18,574 and \$15,622, respectively, and the awarding of scholarships to students of approximately \$5,000 for 2011 and \$8,500 for 2010. The net source of funds from investing activities in fiscal year 2011 and 2010 are the \$43,594 and \$47,131 respectively, received from interest and dividends (of which \$43,595 and \$47,132, respectively, were reinvested, net of fees).

**Economic Outlook**

The Alumni Association's operations are funded primarily through earnings generated from investment accounts and revenue generated through the organization's membership program. In fiscal year 2012, the Association's expenses will exceed projected income by approximately \$40,000 although it is anticipated this will be rectified by the beginning of next fiscal year. The organization has ample assets to balance the budget without any negative long-term ramifications and this situation will likely be avoided next year either through an increase in revenue or a reduction in expenditures. The situation is due to the fact the Association is in the final year of an affinity contract and no royalty payments are due or expected. It is anticipated that a new contract will be signed next year either with our current partner or a similar entity.

**Note** - The Eastern Illinois University Alumni Association is not required to present budgetary comparison information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements because the Eastern Illinois University Alumni Association is not legally required to adopt a budget.

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 368,767	\$ 320,612
Investments	434,806	481,866
Accounts receivable	6,400	5,750
Interest receivable	-	5,262
Royalties receivable	-	106,538
Prepaid expense	1,011	990
	<u>810,984</u>	<u>921,018</u>
Total current assets		
Noncurrent assets:		
Accounts receivable	11,100	8,450
Investments	1,118,064	930,309
Capital assets, net of accumulated depreciation	193,689	199,688
	<u>1,322,853</u>	<u>1,138,447</u>
Total noncurrent assets		
	<u>\$ 2,133,837</u>	<u>\$ 2,059,465</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 86	\$ 51
	<u>86</u>	<u>51</u>
Total liabilities		
<b>NET ASSETS</b>		
Invested in capital assets	193,689	199,688
Unrestricted	1,940,062	1,859,726
	<u>2,133,751</u>	<u>2,059,414</u>
Total net assets		
	<u>\$ 2,133,837</u>	<u>\$ 2,059,465</u>
Total liabilities and net assets		

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

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended June 30, 2011 and 2010

	2011	2010
<b>OPERATING REVENUES:</b>		
Membership dues	\$ 59,280	\$ 63,049
Merchandise sales	-	351
Alumni promotions	815	1,280
Royalties	15,733	20,769
Service contract with the University	14,069	22,130
Budget allocation from the University	11,087	14,205
Gifts	5,830	3,538
Other operating income	334	617
	<u>107,148</u>	<u>125,939</u>
<b>OPERATING EXPENSES:</b>		
Personal services	4,920	4,620
Printing	15,214	13,090
Postage, telephone and supplies	15,688	20,375
Dues and subscriptions	567	100
Meetings and receptions	34,326	40,038
Professional fees	14,100	15,144
Promotional activities	12,582	2,063
Insurance	3,448	3,421
Bad debt expense	3,400	1,900
Bank fees	604	-
Building repairs and maintenance	8,665	1,632
In-kind expenses under contract with the University		
Personnel services	13,482	21,205
Rent, utilities and maintenance	587	925
Budget expended at the University	11,087	14,205
Depreciation expense	5,999	5,999
	<u>144,669</u>	<u>144,717</u>
Total operating expenses		
	<u>(37,521)</u>	<u>(18,778)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Investment income:		
Interest and dividends	38,331	40,115
Net increase in fair market value of investments	97,101	88,999
Scholarships	(5,000)	(8,500)
Gifts/grants to the University	(18,574)	(15,622)
	<u>111,858</u>	<u>104,992</u>
Net nonoperating revenues		
	<u>74,337</u>	<u>86,214</u>
Increase in net assets		
<b>NET ASSETS</b>		
Net assets - beginning of year	<u>2,059,414</u>	<u>1,973,200</u>
Net assets - end of year	<u>\$ 2,133,751</u>	<u>\$ 2,059,414</u>

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

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2011 and 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Membership dues	\$ 55,980	\$ 61,084
Gifts	5,830	3,538
Promotional revenue	815	1,280
Royalties	122,271	123,956
Other receipts	334	968
Payments to suppliers and vendors	(113,500)	(102,328)
Net cash provided by operating activities	71,730	88,498
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Scholarships	(5,000)	(8,500)
Gifts/grants to the University/Foundation	(18,574)	(15,622)
Net cash (used) by noncapital financing activities	(23,574)	(24,122)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	43,594	47,131
Proceeds from investments sold	1,563,227	552,909
Purchase of investments	(1,606,822)	(600,041)
Net cash (used) by investing activities	(1)	(1)
Net increase in cash and cash equivalents	48,155	64,375
Cash and cash equivalents, beginning of year	320,612	256,237
Cash and cash equivalents, end of the year	\$ 368,767	\$ 320,612
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (37,521)	\$ (18,778)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation expense	5,999	5,999
Change in assets and liabilities:		
(Increase) in accounts receivable	(3,300)	(1,965)
Decrease in royalties receivable	106,538	103,184
(Increase) decrease in prepaid expense	(21)	50
Increase in accounts payable	35	8
Net cash provided by operating activities	\$ 71,730	\$ 88,498

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

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS, CONTINUED

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>NONCASH INVESTING TRANSACTIONS</b>		
Change in fair value of investments	<u>\$ 97,101</u>	<u>\$ 88,999</u>

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



EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2011 and 2010

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies applied in the accompanying financial statements are as follows:

***Nature of Operations***

The Eastern Illinois University Alumni Association, Inc. (the Association), located in Charleston, Illinois, was incorporated under the laws of the State of Illinois as a not-for-profit organization. The primary functions of the Association are to foster loyalty and fellowship among the alumni of Eastern Illinois University and to provide a medium through which the alumni can contribute to the welfare of the University.

***Financial Reporting Entity***

The financial reporting entity is defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 - *The Financial Reporting Entity*. The financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which the primary government is financially accountable. It also includes other component units whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A primary government is financially accountable for a component unit if it appoints a voting majority of the organization's governing body and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government.

In addition, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of GASB Statement No. 14, *The Financial Reporting Entity*) increased the factors to consider when determining if a component unit should be included in the financial reporting entity of a primary government.

As stated in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, a legally separate organization should be considered a component unit of the primary government if the following three factors are met. 1) The separate organization's economic resources are almost entirely held for the direct benefit of the primary government. 2) The primary government is entitled to or has access to the majority of the resources held or received by the separate organization. 3) The resources held or received by the separate organization are significant to the primary government.

Based upon these factors management considers the Association to be a component unit of Eastern Illinois University and the State of Illinois. The Association believes it has no component units as defined by GASB Statement No. 14, *The Financial Reporting Entity* as amended.

***Financial Statement Presentation***

The Association has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements - Management's Discussion and Analysis - for Public*

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2011 and 2010

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Financial Statement Presentation - Continued***

*Colleges and Universities*; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statements of the Association have been prepared in conformance with these statements.

***Basis of Accounting***

For financial reporting purposes, the Association is considered a special-purpose government engaged only in business-type activities. Accordingly, the Association's financial statements have been presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The Association has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Association has elected not to apply FASB pronouncements issued after the applicable date.

***Cash Equivalents***

For purposes of the statement of cash flows, the Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Illinois Funds are considered cash equivalents.

***Investments***

The Association accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses, and Changes in Net Assets.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the Association's capitalization policy includes all items with a unit cost of \$500 or more and for land, buildings and improvements their capitalization policy is \$5,000 or more. Renovations to buildings and equipment that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 to 20 years for land improvements and building improvements, and 4 to 7 years for equipment.

***Net Assets***

The Association's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the Association's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2011 and 2010

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Net Assets - Continued***

*Unrestricted net assets:* Unrestricted net assets represent resources derived from Association membership dues, Alumni promotions, net investment income and other Association activities.

***Income Taxes***

The Association is a non-profit corporation and is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and has been determined not to be a private foundation.

***Classification of Revenues***

The Association has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions or that are part of the Association's mission to contribute to the welfare of the University, such as (1) Association membership dues and gifts (2) Alumni promotions and merchandise.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as investment income and other revenue sources that are defined as Nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Propriety and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

***Use of Estimates***

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

**2 CASH AND CASH EQUIVALENTS AND INVESTMENTS**

***Cash And Cash Equivalents***

The Alumni Association's cash deposits are held by the University in the Illinois Funds. The Illinois Funds are pooled short term fully collateralized money market accounts administered by the Treasurer of the State of Illinois.

***Investments***

The Alumni Association's Board of Director's takes oversight of the Association's investment policy. The policy is structured to provide guidance to external managers as they strive to meet the Association's goals. They seek to limit the overall level of risk commensurate with the chosen policy asset allocation. The Association has no legal or contractual restrictions on the type of investments they purchase. On the statements of revenues, expenses and changes in net assets, investment income is netted with investment fees. Investment fees were \$7,444 and \$6,814 respectively, for the years ended June 30, 2011 and 2010.

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2011 and 2010

**2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued**

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Eastern Illinois University Alumni Association's target asset allocation is 26% equities, 74% fixed income, with approximately 59% of fixed income being investment grade. The average maturity of the fixed income portfolio should not exceed 4-5 years. An assumption is made in reporting that callable bonds will be held until maturity. Effective maturity ranges for investments disclosed are shown as follows:

<b>June 30, 2011</b>	Illinois Funds	Money Market	Mutual Bond Funds	Total
Average Maturity				
Less than 1 year	\$ 368,767	\$ 32,740	\$ -	\$ 401,507
1-5 years	-	-	697,875	697,875
5-10 years	-	-	420,189	420,189
Total	<u>\$ 368,767</u>	<u>\$ 32,740</u>	<u>\$ 1,118,064</u>	<u>\$1,519,571</u>

<b>June 30, 2010</b>	Illinois Funds	Money Market	U.S. Agencies	Corporate Bonds	Mutual Bond Funds	Total
Average Maturity						
Less than 1 year	\$ 320,612	\$ 257,534	\$ 50,438	\$ -	\$ -	\$ 628,584
1-5 years	-	-	-	289,504	209,417	498,921
5-10 years	-	-	-	-	431,389	431,389
Total	<u>\$ 320,612</u>	<u>\$ 257,534</u>	<u>\$ 50,438</u>	<u>\$ 289,504</u>	<u>\$ 640,806</u>	<u>\$1,558,894</u>

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The Alumni Association investment policy limits investments to 'A' rated or above fixed income securities. Mutual bond funds themselves are not rated. The quality rating for investments disclosed are shown as follows:

<b>June 30, 2011</b>	Illinois Funds	Money Market	Mutual Bond Funds	Total
Quality Rating				
AAA	\$ 368,767	\$ 32,740	\$ -	\$ 401,507
Not Rated	-	-	1,118,064	1,118,064
	<u>\$ 368,767</u>	<u>\$ 32,740</u>	<u>\$ 1,118,064</u>	<u>\$1,519,571</u>

<b>June 30, 2010</b>	Illinois Funds	Money Market	U.S. Agencies	Corporate Bonds	Mutual Bond Funds	Total
Quality Rating						
AAA	\$ 320,612	\$ 257,534	\$ 50,438	\$ -	\$ -	\$ 628,584
AA	-	-	-	53,055	-	53,055
A	-	-	-	184,689	-	184,689
BBB	-	-	-	51,760	-	51,760
Not Rated	-	-	-	-	640,806	640,806
	<u>\$ 320,612</u>	<u>\$ 257,534</u>	<u>\$ 50,438</u>	<u>\$ 289,504</u>	<u>\$ 640,806</u>	<u>\$1,558,894</u>

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2011 and 2010

**2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued**

***Custodial Credit Risk***

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the Alumni Association would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party.

The Alumni Association's investments in the Illinois Funds, mutual funds and money market funds are not subject to detailed disclosure because the Alumni Association owns shares of each investment fund and not the physical securities.

***Concentration Risk***

The Alumni Association held the following corporate bonds that exceeded 5% of total investments:

**June 30, 2010**

Issuer	Maturity	Moody's Rating	Market Value
A T & T Note	1/15/2013	A	\$ 81,411

The Alumni Association has not held foreign currency positions, nor has it participated in securities lending.

The Illinois Funds are in the custody of the State Treasurer and are pooled and invested with other state funds in accordance with the Deposits of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these investments are available within the State of Illinois' Comprehensive Annual Financial Report.

The Illinois Funds do not have any direct or indirect investments in derivative instruments. The money market funds and mutual funds have not disclosed to the Alumni Association whether derivatives are used, held, or were written during the period covered by the financial statements.

***Reconciliation to the Statements of Net Assets***

A reconciliation of cash and investments, as presented above, to amounts reported in the Association's Statements of Net Assets at:

**June 30, 2011**

The Illinois Funds money market accounts	\$ 368,767
Investments administered by First Mid-Illinois Bank & Trust	
Money market mutual funds	32,740
Equity mutual funds	402,066
Bond mutual funds	<u>1,118,064</u>
Total cash and investments	<u>\$1,921,637</u>

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2011 and 2010

**2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued**

***Reconciliation to the Statements of Net Assets - Continued***

**June 30, 2010**

The Illinois Funds money market accounts	\$ 320,612
Investments administered by First Mid-Illinois Bank & Trust	
Money market mutual funds	257,534
Equity mutual funds	173,893
Bond mutual funds	640,806
Corporate bonds and notes	289,504
U.S. Government and U.S. Agency securities	<u>50,438</u>
Total cash and investments	<u><u>\$1,732,787</u></u>

**3 ACCOUNTS RECEIVABLE**

The Association records amounts owed on installment memberships as receivables. They have adjusted these receivables for all known uncollectible accounts and no allowance for bad debts is considered necessary at year-end.

**4 ROYALTIES RECEIVABLE**

Royalties receivable consists of the following:

	<u>2010</u>
Gross royalties receivable	\$ 110,000
Less: Unamortized discount	<u>(3,462)</u>
Net royalties receivable	106,538
Less, current portion of royalties receivable	<u>(106,538)</u>
Noncurrent royalties receivable	<u><u>\$ -</u></u>
Amounts due in:	
Less than one year	\$ 110,000
One to five years	<u>-</u>
	<u><u>\$ 110,000</u></u>

The Association is in the final year of an affinity contract and no royalty payments are due or expected at June 30, 2011. Royalties receivable due at June 30, 2010 are reflected at the present value of estimated future cash flows using a discount rate of 3.25%.

A complete summary of royalties is presented in Note 7.

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2011 and 2010

**5 CAPITAL ASSETS**

Capital asset activity for the years ended June 30, 2011 and June 30, 2010 was as follows:

	Year ended June 30, 2011			6/30/2011
	6/30/2010	Additions	Deletions	
Capital assets not being depreciated:				
Land	\$ 33,357	\$ -	\$ -	\$ 33,357
Other depreciable capital assets				
Buildings and improvements	244,492	-	-	244,492
Equipment	6,748	-	-	6,748
Total capital assets being depreciated	251,240	-	-	251,240
Less accumulated depreciation for:				
Buildings and improvements	78,161	5,999	-	84,160
Equipment	6,748	-	-	6,748
Total accumulated depreciation	84,909	5,999	-	90,908
Capital assets being depreciated, net	166,331	(5,999)	-	160,332
Total capital assets, net	<u>\$ 199,688</u>	<u>\$ (5,999)</u>	<u>\$ -</u>	<u>\$ 193,689</u>

Depreciation expense for the year ended June 30, 2011 was \$5,999.

	Year ended June 30, 2010			6/30/2010
	6/30/2009	Additions	Deletions	
Capital assets not being depreciated:				
Land	\$ 33,357	\$ -	\$ -	\$ 33,357
Other depreciable capital assets				
Buildings and improvements	244,492	-	-	244,492
Equipment	6,748	-	-	6,748
Total capital assets being depreciated	251,240	-	-	251,240
Less accumulated depreciation for:				
Buildings and improvements	72,162	5,999	-	78,161
Equipment	6,748	-	-	6,748
Total accumulated depreciation	78,910	5,999	-	84,909
Capital assets being depreciated, net	172,330	(5,999)	-	166,331
Total capital assets, net	<u>\$ 205,687</u>	<u>\$ (5,999)</u>	<u>\$ -</u>	<u>\$ 199,688</u>

Depreciation expense for the year ended June 30, 2010 was \$5,999.

EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2011 and 2010

**6 SIGNIFICANT TRANSACTIONS WITH THE PRIMARY GOVERNMENT**

During the years ended June 30, 2011 and 2010, the Association had an agreement with Eastern Illinois University to coordinate the University's alumni activities. The University agreed to provide the Association with money or in-kind services in an amount not to exceed the Association's cost of coordinating these activities. The Association has also agreed to pay the University for all facilities, services, and resources used. The payment is to be either in the form of money or its equivalent in services or resources.

During the years ended June 30, 2011 and 2010, the University provided the Association with \$14,069 and \$22,130, respectively, in services in accordance with the contract.

In fulfilling its fiscal years 2011 and 2010 contracts with the University, the Association incurred \$143,087 and \$132,504 respectively, in expenses and \$25,156 and \$36,335, respectively, of in-kind expenses and budget expended at the University. Included in the fiscal years 2011 and 2010 expenses of \$143,087 and \$132,504, respectively, are unrestricted gifts/grants of \$23,574 and \$24,122, respectively, to the University. In addition, the Association provided the use of its facilities at no charge to the University both years. The value of these facilities were \$47,800 and \$40,908 for the years ended June 30, 2011 and June 30, 2010, respectively. These amounts are not reflected in the financial statements. Since fiscal year 1984, the Association has provided \$627,583 more in benefits than it has received from the University.

Pursuant to governmental accounting standards, the Association is required to recognize as revenue and expense those on-behalf payments for fringe benefits made by the State of Illinois to the State Universities Retirement System for University employees who are supervised by the Association. These payments (estimated at \$11,087 in 2011 and \$14,205 in 2010) are included in the amounts shown as budget allocation from the University and budget expended at the University in the Statements of Revenues, Expenses and Changes in Net Assets.

**7 ROYALTIES**

During fiscal year 2005, the Association entered into an agreement with a bank whereby the Association and the bank will market the bank's credit card services to members of the Association (plus other participants mutually agreed to by the Association and the bank) using the Association's name and logo. In conjunction with this agreement, the Association receives certain fees and royalties based upon each new account opened and amounts charged on these accounts. Under the agreement, the Association is to receive royalty advances totaling \$700,000 over seven years (subject to meeting certain conditions defined in the agreement). Additionally, the Association is to receive annual sponsorship payments of \$10,000 over the same seven year period. These payments, totaling \$770,000 were recognized as revenue during fiscal year 2005, at the present value of estimated future cash flows, see Note 4. The Association has received the entire \$770,000 on this agreement to date.

In addition, the Association entered into an agreement with a tour operator vendor. The tour operator offers Association members special tour travel packages. The Association receives royalties and one host trip after the tour has reached a minimum of twenty paid passengers. Royalties range from 5% of the revenue to \$75 to \$100 per paid passenger, depending on the program. The travel program can be cancelled upon 30 days written notice. The Association received royalties from these agreements of \$12,271 in 2011 and \$13,953 in 2010.



EASTERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2011 and 2010

**8 RISK MANAGEMENT**

The Association is exposed to various risks of loss including, but not limited to, general liability, property casualty and director and officer liability. The Association is liable for up to \$250/year deductible for property damage and up to \$2,500/year deductible for director and officer liability. No significant reductions in insurance coverage from the prior year occurred. Insurance settlements did not exceed coverage in each of the past three fiscal years.

**9 FUNCTIONAL CLASSIFICATION OF EXPENSES**

Operating expenses by functional classification for the years ended June 30, 2011 and 2010 are summarized as follows:

	June 30	
	2011	2010
Institutional Support	\$ 138,670	\$ 138,718
Depreciation	5,999	5,999
Total	<u>\$ 144,669</u>	<u>\$ 144,717</u>