

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.
(A COMPONENT UNIT OF EASTERN ILLINOIS UNIVERSITY)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011
AND
INDEPENDENT AUDITOR'S REPORT

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2012 and 2011

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, 2012

The Alumni Association Board of Directors include:

Ms. Nancy Elwess, President	Ms. Jamie Fitzgerald
Mr. Hugh O'Hara, Vice President	Mr. Robert Glover
Ms. Cassie Lively, Secretary-Treasurer	Ms. Mary Beth Huffmann
Mr. Gary Miller, Immediate Past President	Ms. Michelle Ochs
Ms. Chelsey Byers	Mr. Brian Ormiston
Ms. Tammie Byers	Mr. Nick Owens
Mr. Chris Caldwell	Mr. Roger Perkins
Mr. Mike Carter	Ms. Julie Sterling
Mr. Tom DuBois	Ms. Bonita Tillman
Mr. Matt Ewald	Mr. Jeff Wright
Ms. Colleen Fashing	

Ms. Judy Ethell, 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



132 South Water Street, Suite 300 • Decatur, IL 62523

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Eastern Illinois University Alumni Association, Inc. (Association), a component unit of Eastern Illinois University, as of and for the year ended June 30, 2012, 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 basic financial statements based on our audit. The financial statements of the Eastern Illinois University Alumni Association, Inc., as of June 30, 2011, were audited by other auditors whose report dated October 31, 2011, expressed an unqualified opinion on those statements.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2012, and the changes in financial position and cash flows thereof for the year 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 March 1, 2013, 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 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 through 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.

A handwritten signature in black ink that reads 'Sikich LLP'.

Decatur, Illinois
March 1, 2013



132 South Water Street, Suite 300 • Decatur, IL 62523

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 basic financial statements of Eastern Illinois University Alumni Association, Inc. (Association), a component unit of Eastern Illinois University, as of and for the year ended June 30, 2012, and have issued our report thereon dated March 1, 2013. 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. The basic financial statements of the Eastern Illinois University Alumni Association, Inc. as of June 30, 2011, were audited by other auditors whose report dated October 31, 2011, expressed an unqualified opinion on those statements.

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*.

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.

Sikich LLP

Decatur, Illinois
March 1, 2013

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, 2012 and 2011. 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 Eastern Illinois University (University), which is a component unit of the State of Illinois, 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, 2012, the Association's net assets decreased by \$22,270 to \$2,111,481. This is attributable to various factors. The Association's operating expenses exceeded operating income by \$46,604 and nonoperating revenue exceeded nonoperating expenses by \$24,334. Net investment income was \$47,502.

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.

Condensed Financial Information

Condensed Statement of Net Assets June 30:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets			
Current assets	\$ 791,459	\$ 810,984	\$ 921,018
Noncurrent assets			
Capital	187,690	193,689	199,688
Other	1,142,916	1,129,164	938,759
Total noncurrent assets	<u>1,330,606</u>	<u>1,322,853</u>	<u>1,138,447</u>
Total assets	<u>\$ 2,122,065</u>	<u>\$ 2,133,837</u>	<u>\$ 2,059,465</u>
Liabilities			
Current liabilities	\$ 10,584	\$ 86	\$ 51
Total liabilities	<u>10,584</u>	<u>86</u>	<u>51</u>
Net assets			
Invested in capital assets	187,690	193,689	199,688
Unrestricted	<u>1,923,791</u>	<u>1,940,062</u>	<u>1,859,726</u>
Total net assets	<u>2,111,481</u>	<u>2,133,751</u>	<u>2,059,414</u>
Total liabilities and net assets	<u>\$ 2,122,065</u>	<u>\$ 2,133,837</u>	<u>\$ 2,059,465</u>

As of June 30, 2012 and 2011, Association assets totaled \$2,122,065 and \$2,133,837, respectively. The largest asset of the Association in either year is its investments of \$1,600,366 at June 30, 2012 and \$1,522,870 at June 30, 2011. The \$77,496 increase in investments in 2012 is partially due to the \$44,985 investment income (net of fees) reinvested, plus the \$2,517 increase in the fair value of investments as of June 30, 2012. For fiscal year 2011, the \$140,695 increase in investments is partially due to the \$38,331 investment income (net of fees) reinvested, plus the \$97,101 increase in the fair value of investments as of June 30, 2011.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

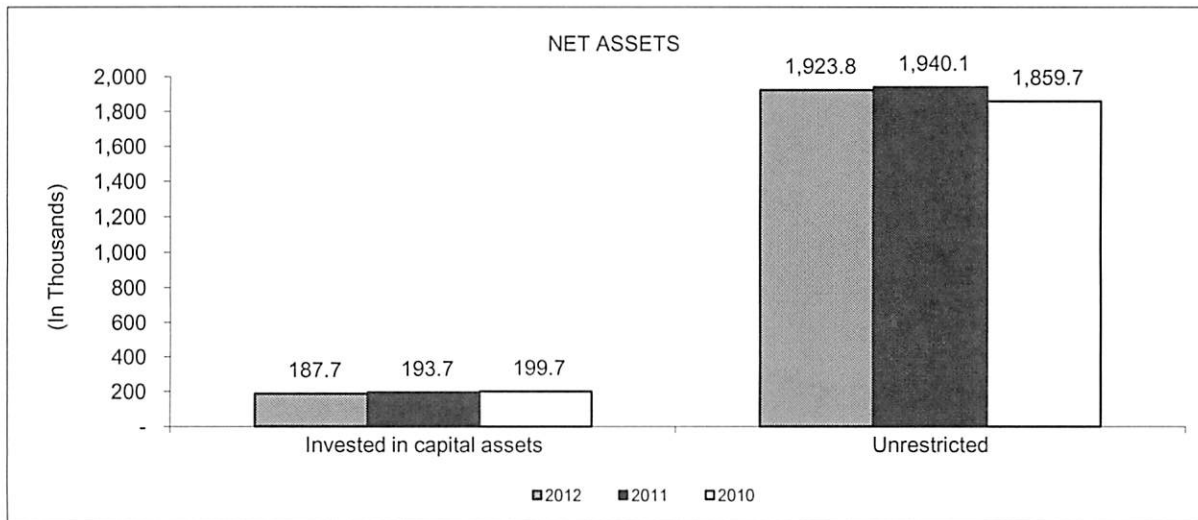
Condensed Financial Information - Continued

The Association's current assets of \$791,459 and \$810,984 as of June 30, 2012 and 2011, respectively, were sufficient to cover the current liabilities of \$10,584 and \$86, respectively. The current ratio of current assets to current liabilities is \$75 and \$9,430 in current assets for every \$1 in current liabilities for fiscal years 2012 and 2011, respectively.

The difference in liabilities from fiscal year 2012 to 2011 was due to an invoice for printing that was not paid before June 30, 2012.

There were no material changes in total net assets between fiscal years 2012 and 2011.

The following graph shows net assets by classification and restriction:



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

	2012	2011	2010
Operating revenues	\$ 113,977	\$ 107,148	\$ 125,939
Operating expenses	160,581	144,669	144,717
Operating income (loss)	(46,604)	(37,521)	(18,778)
Net non-operating revenues (expenses)	24,334	111,858	104,992
Increase (decrease) in net assets	(22,270)	74,337	86,214
Net assets			
Net assets-beginning of year	2,133,751	2,059,414	1,973,200
Net assets-end of year	<u>\$ 2,111,481</u>	<u>\$ 2,133,751</u>	<u>\$ 2,059,414</u>

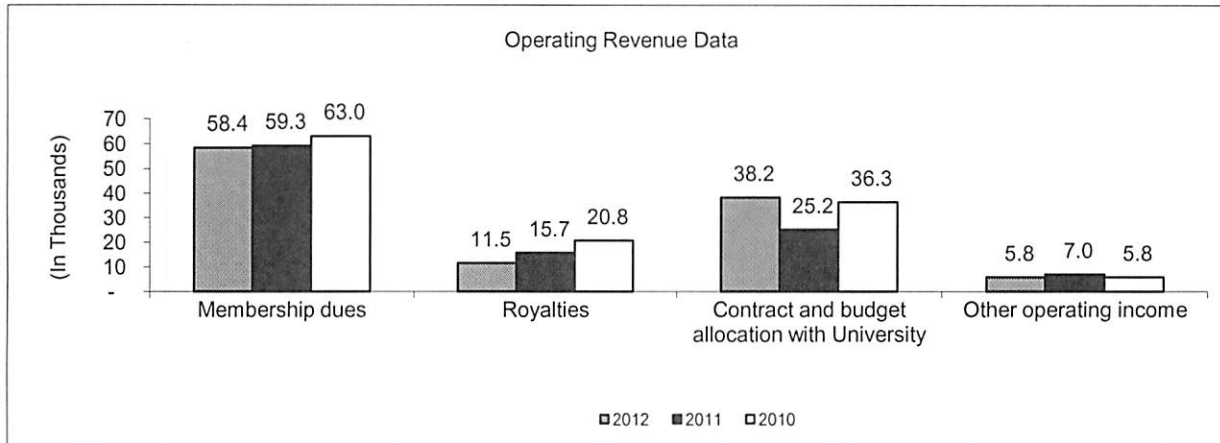
Operating Revenues

Total operating revenues for fiscal years 2012 and 2011 were approximately \$114.0 thousand and \$107.1 thousand, respectively. In 2012 and 2011, 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. A new graduate only has to pay 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 decreased during fiscal year 2012 and increased during fiscal year 2011. The 2012 decrease and 2011 increase of 2,357 and 47, respectively, in total memberships were mainly the discontinued offer of complimentary annual memberships and new graduate memberships (2,595 and 83 respectively). Total membership dues income was \$58 thousand in 2012 and \$59 thousand in 2011. At June 30, 2012, 2011, and 2010, the Association had the following membership breakdown:

	2012	2011	2010
Complimentary Annual Memberships	-	2,595	2,559
New Graduate Memberships	378	144	61
Annual Memberships	1,134	1,134	1,111
Annual Family Memberships	318	291	273
Harris Promotional Annual Membership	1	44	182
Life Memberships	287	279	255
Family Life Memberships	115	103	102
Senior Life Memberships	54	54	54
Senior Family Life Memberships	17	17	17
Total Memberships	2,304	4,661	4,614

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Royalties

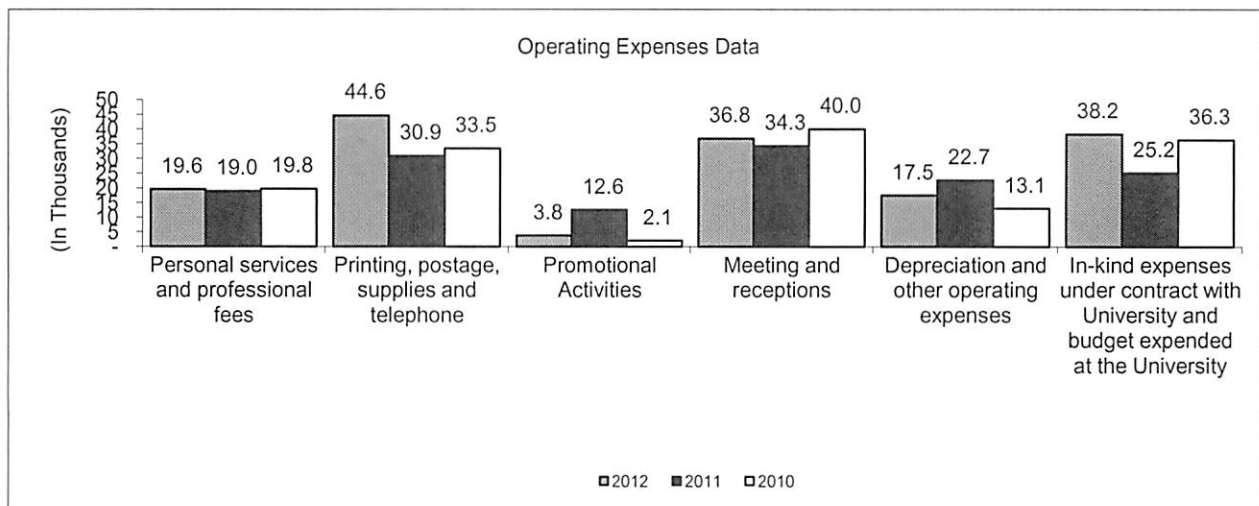
During fiscal year 2005, the Association entered into an agreement with a bank whereby the Association and the bank marketed the bank's credit card services to members of the Association (plus other participants mutually agreed to by the Association and the bank) using the Association's name and logo. Each fiscal year, the net present value amount of the remaining guaranteed payments under this agreement was calculated and the change was 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 2012 and 2011.

Operating Expenses

Operating Expenses for the years ended June 30, 2012 and 2011, totaled \$160,581 and \$144,669, respectively. Of the total for 2012 \$44,590 or 28% was printing, postage, telephone and supplies, \$40,608 or 26% was meeting, receptions and promotional activities, and \$21,081 or 14% was in-kind expenses under contract with the University. 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. The breakout by expense is highlighted below:



Other

The investment income of \$47,502 and \$135,432 for the years ended June 30, 2012 and 2011 was the largest source of nonoperating revenue each year. This is made up of interest and dividends earned of \$44,985 plus an increase in fair market value of investments of \$2,517 for 2012 and interest and dividends earned of \$38,331 plus an increase in fair market value of investments of \$97,101 for 2011. The increases in the fair market values in 2012 and 2011 are primarily due to fluctuations in interest rates and market conditions.

Gifts and grants to the University of \$18,168 and \$18,574 for the years ended June 30, 2012 and 2011 were the largest source of nonoperating expenses each year. The Association awarded approximately \$5,000 in 2012 and \$5,000 in 2011 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,		
	2012	2011	2010
Cash provided (used) by:			
Operating activities	\$ (28,210)	\$ 71,730	\$ 88,498
Noncapital financing activities	(23,168)	(23,574)	(24,122)
Investing activities	6	(1)	(1)
Net increase in cash and cash equivalents	(51,372)	48,155	64,375
Cash-beginning of year	368,767	320,612	256,237
Cash-end of year	<u>\$ 317,395</u>	<u>\$ 368,767</u>	<u>\$ 320,612</u>

For fiscal year 2012, membership fees were the single largest source of funds included in operating activities totaling \$58,435 (while in 2011 totaling \$59,580.) For fiscal year 2011, the major source of funds, included in operating activities, were royalty payments of \$122,271, received mainly from the credit card affinity program (while in 2012 totaling \$11,528). This represents a permanent shift in the source of funds for operating activities for the Alumni Association. The payments to suppliers totaled \$105,876 for 2012 and \$113,500 for 2011. The use of funds included in noncapital financing activities during 2012 and 2011 are various gifts to the University of \$18,168 and \$18,574, respectively, and the awarding of scholarships to students of approximately \$5,000 for 2012 and \$5,000 for 2011. The net source of funds from investing activities in fiscal year 2012 and 2011 are the \$44,979 and \$43,531 respectively, received from interest and dividends (of which \$44,973 and \$43,532 respectively, were reinvested, net of fees).

Economic Outlook

The Alumni Association's operations are funded primarily through earnings generated from investment accounts and revenue from the organization's membership program. While relationships with potential affinity partners are being explored and may be finalized during fiscal year 2013, the Association anticipates a balanced budget and does not expect any material changes in revenue or expenses.

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, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 317,395	\$ 368,767
Investments	465,250	434,806
Accounts receivable	7,786	6,400
Prepaid expense	1,028	1,011
Total current assets	791,459	810,984
Noncurrent assets:		
Accounts receivable	7,800	11,100
Investments	1,135,116	1,118,064
Capital assets, net of accumulated depreciation	187,690	193,689
Total noncurrent assets	1,330,606	1,322,853
Total assets	\$ 2,122,065	\$ 2,133,837
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 10,584	\$ 86
Total liabilities	10,584	86
NET ASSETS		
Invested in capital assets	187,690	193,689
Unrestricted	1,923,791	1,940,062
Total net assets	2,111,481	2,133,751
Total liabilities and net assets	\$ 2,122,065	\$ 2,133,837

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Membership dues	\$ 58,435	\$ 59,280
Alumni promotions	1,120	815
Royalties	11,528	15,733
Service contract with the University	21,081	14,069
Budget allocation from the University	17,144	11,087
Gifts	3,118	5,830
Other operating income	1,551	334
	<u>113,977</u>	<u>107,148</u>
Total operating revenues		
OPERATING EXPENSES		
Personal services	4,920	4,920
Printing	29,571	15,214
Postage, telephone and supplies	15,019	15,688
Dues and subscriptions	477	567
Meetings and receptions	36,822	34,326
Professional fees	14,690	14,100
Promotional activities	3,786	12,582
Insurance	3,580	3,448
Bad debt expense	4,800	3,400
Bank fees	592	604
Building repairs and maintenance	2,100	8,665
In-kind expenses under contract with the University		
Personnel services	20,351	13,482
Rent, utilities and maintenance	730	587
Budget expended at the University	17,144	11,087
Depreciation expense	5,999	5,999
	<u>160,581</u>	<u>144,669</u>
Total operating expenses		
Operating income (loss)	<u>(46,604)</u>	<u>(37,521)</u>
NONOPERATING REVENUE (EXPENSES)		
Investment income:		
Interest and dividends	44,985	38,331
Net increase (decrease) in fair market value of investments	2,517	97,101
Scholarships	(5,000)	(5,000)
Gifts/grants to the University	(18,168)	(18,574)
	<u>24,334</u>	<u>111,858</u>
Net nonoperating revenues (expenses)		
Increase (decrease) in net assets	<u>(22,270)</u>	<u>74,337</u>
NET ASSETS		
Net assets - beginning of year	<u>2,133,751</u>	<u>2,059,414</u>
Net assets - end of year	<u>\$ 2,111,481</u>	<u>\$ 2,133,751</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, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Membership dues	\$ 60,349	\$ 55,980
Gifts	3,118	5,830
Promotional revenue	1,120	815
Royalties	11,528	122,271
Other receipts	1,551	334
Payments to suppliers and vendors	(105,876)	(113,500)
Net cash provided (used) by operating activities	(28,210)	71,730
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Scholarships	(5,000)	(5,000)
Gifts/grants to the University/Foundation	(18,168)	(18,574)
Net cash used by noncapital financing activities	(23,168)	(23,574)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	44,979	43,531
Proceeds from investments sold	476,001	723,035
Purchase of investments	(520,974)	(766,567)
Net cash provided (used) by investing activities	6	(1)
Net increase in cash and cash equivalents	(51,372)	48,155
Cash and cash equivalents, beginning of year	368,767	320,612
Cash and cash equivalents, end of the year	\$ 317,395	\$ 368,767
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (46,604)	\$ (37,521)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	5,999	5,999
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	1,914	(3,300)
Decrease in royalties receivable	-	106,538
Increase in prepaid expense	(17)	(21)
Increase in accounts payable	10,498	35
Net cash provided (used) by operating activities	\$ (28,210)	\$ 71,730

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
NONCASH INVESTING TRANSACTIONS		
Change in fair value of investments	<u>\$ 2,517</u>	<u>\$ 97,101</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, 2012 and 2011

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, which is a component unit of 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, 2012 and 2011

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, 2012 and 2011

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 \$7,446 and \$7,444 respectively, for the years ended June 30, 2012 and 2011.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2012 and 2011

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 has updated its target asset allocation to 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:

June 30, 2012	Illinois Funds	Money Market	U.S. Agencies	Corporate Bonds	Mutual Bond Funds	Total
Average Maturity						
Less than 1 year	\$ 317,395	\$ 31,401	\$ -	\$ -	\$ -	\$ 348,796
1-5 years	-	-	-	-	-	-
5-10 years	-	-	-	-	1,135,116	1,135,116
Total	\$ 317,395	\$ 31,401	\$ -	\$ -	\$ 1,135,116	\$1,483,912
June 30, 2011						
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	\$ 368,767	\$ 32,740	\$ -	\$ -	\$ 1,118,064	\$1,519,571

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 fund ratings represent investments in the portfolio, but the bond funds themselves are not rated. The quality rating for investments disclosed are shown as follows:

June 30, 2012	Illinois Funds	Money Market	U.S. Agencies	Corporate Bonds	Mutual Bond Funds	Total
Qualit Rating						
AAA	\$ 317,395	\$ 31,401	\$ -	\$ -	\$ -	\$ 348,796
Not Rated	-	-	-	-	1,135,116	1,135,116
	\$ 317,395	\$ 31,401	\$ -	\$ -	\$ 1,135,116	\$1,483,912
June 30, 2011						
Qualit Rating						
AAA	\$ 368,767	\$ 32,740	\$ -	\$ -	\$ -	\$ 401,507
Not Rated	-	-	-	-	1,118,064	1,118,064
	\$ 368,767	\$ 32,740	\$ -	\$ -	\$ 1,118,064	\$1,519,571

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2012 and 2011

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 does not have a policy that addresses custodial credit

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 did not hold any single investment that exceeded 5% of total investments. The Alumni Association does not have a policy that addresses concentration risk.

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, 2012

The Illinois Funds money market accounts	\$ 317,395
Investments administered by First Mid-Illinois Bank & Trust	
Money market mutual funds	31,401
Equity mutual funds	433,849
Bond mutual funds	1,135,116
Total cash and investments	<u>\$ 1,917,761</u>

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2012 and 2011

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Reconciliation to the Statements of Net Assets - Continued

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>

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.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2012 and 2011

4 CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2012 and June 30, 2011 was as follows:

	Year ended June 30, 2012			6/30/2012
	6/30/2011	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	84,160	5,999	-	90,159
Equipment	6,748	-	-	6,748
Total accumulated depreciation	90,908	5,999	-	96,907
Capital assets being depreciated, net	160,332	(5,999)	-	154,333
Total capital assets, net	<u>\$ 193,689</u>	<u>\$ (5,999)</u>	<u>\$ -</u>	<u>\$ 187,690</u>

Depreciation expense for the year ended June 30, 2012 was \$5,999.

	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.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2012 and 2011

5 SIGNIFICANT TRANSACTIONS WITH THE PRIMARY GOVERNMENT

During the years ended June 30, 2012 and 2011, 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, 2012 and 2011, the University provided the Association with \$21,081 and \$14,069, respectively, in services in accordance with the contract.

In fulfilling its fiscal years 2012 and 2011 contracts with the University, the Association incurred \$122,356 and \$119,513 respectively, in expenses and \$38,225 and \$25,156, respectively, of in-kind expenses and budget expended at the University. Included in the fiscal years 2012 and 2011 expenses of \$122,356 and \$119,513, respectively, are unrestricted gifts/grants of \$23,168 and \$23,574, 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 \$44,375 and \$52,305 for the years ended June 30, 2012 and June 30, 2011, respectively. These amounts are not reflected in the financial statements. Since fiscal year 1984, the Association has provided \$671,958 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 \$17,144 in 2012 and \$11,087 in 2011) 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.

6 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 has an agreement with a tour operator and an insurance company to provide products to Alumni. The Association receives royalties from tours formed and various insurance products sold to Alumni. In fiscal year 2012 the Association received \$11,528 in royalties, all from AIA insurance. In fiscal year 2011 the Association received royalties of \$12,096 from AIA Insurance and \$175 from the travel company.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2012 and 2011

7 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.

8 FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating expenses by functional classification for the years ended June 30, 2012 and 2011 are summarized as follows:

	June 30	
	2012	2011
Institutional Support	\$ 154,582	\$ 138,670
Depreciation	5,999	5,999
Total	<u>\$ 160,581</u>	<u>\$ 144,669</u>