

State of Illinois
The Association of Alumni, Former Students and Friends
of Southern Illinois University, Incorporated

COMPLIANCE EXAMINATION

For the two years ended June 30, 2005

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

State of Illinois
The Association of Alumni, Former Students and Friends
of Southern Illinois University, Incorporated

COMPLIANCE EXAMINATION

For the two years ended June 30, 2005

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FINDINGS AND RECOMMENDATIONS	
CURRENT FINDINGS	NONE
PRIOR FINDING NOT REPEATED	NONE

State of Illinois
The Association of Alumni, Former Students and Friends
of Southern Illinois University, Incorporated

COMPLIANCE EXAMINATION

For the two years ended June 30, 2005

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NOTE: Financial Statements and Independent Auditors' Reports for the years ended June 30, 2005 and 2004, have been issued under separate covers.

State of Illinois
The Association of Alumni, Former Students and Friends
of Southern Illinois University, Incorporated

AGENCY OFFICIALS

June 30, 2005

Ms. Mimi Wallace	President
Mr. Randy Ragan, CPA	Treasurer
Mr. Edward Buerger	Executive Director
Mr. Michael Dean	Director of Business and Financial Services/Controller (Effective July 2003 - February 2005)
Mr. Tim Marlo	Director of Business and Financial Services/Controller (Effective February 2005 - Present)

Agency offices are located at:

Colyer Hall
Mailcode 6809
Carbondale, Illinois 62901

Student Center
Carbondale, Illinois 62901

SIU - Alumni Association
Oak Brook, Illinois 60523

September 15, 2005

Kerber, Eck & Braeckel, LLP
Certified Public Accountants
1000 Myers Building
Springfield, IL 62701-1268

Dear Sir or Madam:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the SIU Alumni Association. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the SIU Alumni Association's compliance with the following assertions during the two-year period ended June 30, 2005. Based on this evaluation, we assert that during the years ended June 30, 2004 and June 30, 2005, the SIU Alumni Association's has materially complied with the assertions below.

- A. Whether the Association has obligated, expended, received and used funds in accordance with the purpose for which such funds have been authorized by law.
- B. Whether the Association has obligated, expended, received and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such expenditure, receipt, or use.
- C. The Association has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Association are in accordance with applicable laws and regulations and the accounting and record keeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the agency on behalf of the State of held in trust by the Association have been properly and legally administered, and the accounting and record keeping relating thereto is proper, accurate and in accordance with law.


Edward M. Buerger, Executive Director


Timothy Marlo, Controller

State of Illinois
The Association of Alumni, Former Students and Friends
of Southern Illinois University, Incorporated

COMPLIANCE REPORT
SUMMARY

For the two years ended June 30, 2005

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITORS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant nonstandard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

EXIT CONFERENCE

An exit conference was held on February 15, 2006. Attending were the following:

Tim Marlo, Controller, Alumni Association
Randy Ragan, Treasurer, Alumni Association
Deborah Ringer, Partner, Kerber, Eck & Braeckel LLP
Mark Dallas, Partner, Kerber, Eck & Braeckel LLP (by phone)
Kristen Ahlberg, Senior, Kerber, Eck & Braeckel LLP (by phone)
Kim Labonte, Audit Manager, Office of the Auditor General

Independent Accountants' Report on State Compliance,
on Internal Control Over Compliance, and on
Supplementary Information for State Compliance Purposes

Honorable William G. Holland
Auditor General, State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined The Association of Alumni, Former Students and Friends of Southern Illinois University, Incorporated (“Association”)’s compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the years ended June 30, 2005 and 2004. The management of the Association is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Association’s compliance based on our examination.

- A. The Association has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been authorized by law.
- B. The Association has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Association has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. The revenues and receipts collected by the Association are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Association or held in trust by the Association have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Association's compliance with specified requirements.

In our opinion, the Association complied, in all material respects, with the aforementioned requirements during the years ended June 30, 2005 and 2004. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Association's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the Association as of and for the year ended June 30, 2005, and have issued our report thereon dated September 15, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Association. The 2005 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is stated fairly in all material respects in relation to the basic

financial statements for the year ended June 30, 2005, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Association's basic financial statements for the years ended June 30, 2004 and 2003. In our reports dated September 24, 2004 and September 12, 2003, we expressed unqualified opinions on the basic financial statements. In our opinion, the 2004 and 2003 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is stated fairly in all material respects in relation to the basic financial statements for the years ended June 30, 2004 and 2003, taken as a whole.

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

Kerber, Eck + Braschel LLP

Springfield, Illinois
September 15, 2005



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

Honorable William G. Holland
Auditor General, State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of The Association of Alumni, Former Students and Friends of Southern Illinois University, Incorporated (“Association”), as of and for the year ended June 30, 2005, and have issued our report thereon dated September 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of internal control deficiencies, which we have reported to management of the Association in a separate letter dated September 15, 2005.

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*. However, we noted certain other matters which we have reported to management of the Association in a separate letter dated September 15, 2005.

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

Kerber, Eck & Braeckel LLP

Springfield, Illinois
September 15, 2005

State of Illinois
The Association of Alumni, Former Students and Friends
of Southern Illinois University, Incorporated

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
SUMMARY

For the two years ended June 30, 2005

Supplementary Information for State Compliance Purposes presented in this section of this report includes the following:

- Fiscal Schedules and Analysis
 - Comparative Schedule of Cash and Cash Equivalents
 - Comparative Schedule of Cash Receipts
 - Comparative Schedule of Investments
 - Schedule of Changes in Property and Equipment
 - Analysis of Significant Variations in Revenues and Expenses
 - Analysis of Significant Variations in Statement of Net Assets Accounts
 - Analysis of Accounts Receivable

- Analysis of Operations
 - Association Functions and Planning Program
 - Average Number of Employees (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)
 - Additional Required Information (Unaudited)

The Auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for the portion marked "unaudited," on which they express no opinion, it is stated fairly in all material respects in relation to the basic financial statements taken as a whole.

State of Illinois
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COMPARATIVE SCHEDULE OF CASH AND CASH EQUIVALENTS

June 30

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash and cash equivalents by net asset class			
Unrestricted	<u>\$ 211,638</u>	<u>\$ 754,508</u>	<u>\$ 576,845</u>
Cash and cash equivalents by depository			
Deposits with SIU	<u>\$ 211,638</u>	<u>\$ 754,508</u>	<u>\$ 576,845</u>

State of Illinois
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COMPARATIVE SCHEDULE OF CASH RECEIPTS

For the years ended June 30

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Membership dues	\$ 323,157	\$ 258,483	\$ 252,224
Payments from SIU	676,870	-	-
Activities and event revenue	104,670	66,057	67,104
Royalty revenue	851,128	265,094	248,291
Contributions	9,040	10,616	2,694
Proceeds from sales and maturities of investments	58,285	42,915	459,944
Interest and dividend income	304,114	395,944	110,028
	<u>\$ 2,327,264</u>	<u>\$ 1,039,109</u>	<u>\$ 1,140,285</u>

State of Illinois
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COMPARATIVE SCHEDULE OF INVESTMENTS

June 30

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Money markets	\$ 534,342	\$ 538,317	\$ 504,818
Certificates of deposit	921,546	200,216	103,936
Stocks	2,216,379	2,015,008	1,695,882
Mutual funds	887,454	255,535	323,484
Corporate fixed income	20,471	177,792	178,694
U. S. government securities	549	1,217	1,931
	<u>\$ 4,580,741</u>	<u>\$ 3,188,085</u>	<u>\$ 2,808,745</u>

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of Southern Illinois University, Incorporated

SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT

For the years ended June 30

	Furniture, Fixtures and <u>Equipment</u>	Less Accumulated <u>Depreciation</u>	Capital Assets, <u>Net</u>
2005			
Balance, July 1, 2004	\$ 136,172	\$ 132,461	\$ 3,711
Additions	2,700	1,623	1,077
Retirements	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2005	<u>\$ 138,872</u>	<u>\$ 134,084</u>	<u>\$ 4,788</u>
2004			
Balance, July 1, 2003	\$ 136,172	\$ 130,515	\$ 5,657
Additions	-	1,946	(1,946)
Retirements	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2004	<u>\$ 136,172</u>	<u>\$ 132,461</u>	<u>\$ 3,711</u>

State of Illinois
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ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES

For the years ended June 30

REVENUES	<u>2005</u>	Increase (Decrease)	<u>2004</u>	Increase (Decrease)	<u>2003</u>
Operating Revenues					
Payments from SIU Foundation	\$ 134,000	\$ -	\$ 134,000	\$ -	\$ 134,000
Budget allocation from SIU	793,314	82,362 a	710,952	72,180 a	638,772
Membership dues	204,752	24,649	180,103	28,476	151,627
Royalties and other income	580,198	187,627 c	392,571	3,803	388,768
Activities	92,048	33,195	58,853	9,308	49,545
Less: cost of direct benefit to participants	(92,048)	(33,195)	(58,853)	(9,308)	(49,545)
EXPENSES					
Operating Expenses					
Budget expended at SIU	793,314	82,362 a	710,952	72,180 a	638,772
Administrative	76,733	34,666	42,067	19,633	22,434
Alumni communications	289,908	13,662	276,246	8,031	268,215
Membership services	126,449	74,477 b	51,972	18,364	33,608
Alumni and public relations	40,234	8,614	31,620	3,664	27,956
Data base management	4,950	(7,045)	11,995	5,718	6,277
Board of Directors	15,678	895	14,783	916	13,867
Chapter development and alumni programs	55,897	25,008	30,889	2,698	28,191
Homecoming and reunions	19,145	6,704	12,441	555	11,886
University master contract payment	41,200	1,617	39,583	-	39,583
Student relations	15,328	6,631	8,697	3,836	4,861
College societies	5,841	3,408	2,433	1,219	1,214
Awards and contributions	31,738	28,198	3,540	1,905	1,635
Other	29,432	13,883	15,549	1,410	14,139
Depreciation	1,623	(323)	1,946	(495)	2,441
NONOPERATING REVENUES (EXPENSES)					
Investment gain	304,815	(89,512) e	394,327	283,039 d	111,288
Contributions	9,040	(1,576)	10,616	7,922	2,694

All increases/decreases > \$50,000 were determined to be significant.

- a The increase results as salaries expenses increase. These are allocable to the recognition of salary expenses paid by SIU on behalf of the Alumni Association.
- b The increase of \$ 74,477 is primarily due to a telemarketing campaign through Directline Technologies Inc. which cost \$ 59,700.
- c The increase of \$ 187,627 is due to a \$ 95,000 reimbursement of a previously expensed transfer to Financial Aid for the Student Loan Program, the Alumni Loan Consolidation Program revenues increased \$ 15,300, the Alumni Insurance Program revenue increased \$ 14,117, and Credit Card royalty revenues increased \$ 58,927 from FY2004 due to a new contract in FY2005.
- d The increase of \$ 283,039 is due to the investment performance of the Association's portfolio.
- e The decrease of \$ 89,512 is due to the investment performance of the Association's portfolio.

State of Illinois
The Association of Alumni, Former Students and Friends
of Southern Illinois University, Incorporated

ANALYSIS OF SIGNIFICANT VARIATIONS IN STATEMENT OF NET ASSETS ACCOUNTS

June 30

	<u>2005</u>	Increase (Decrease)		<u>2004</u>	Increase (Decrease)		<u>2003</u>
ASSETS							
Deposits with SIU	\$ 211,638	(542,870)	a	\$ 754,508	177,663	b	\$ 576,845
Short-term investments	609,180	70,633	c	538,547	(289,755)	d	828,302
Accounts receivable	5,044	(1,177)		6,221	(16,946)		23,167
Accrued interest receivable	5,595	701		4,894	(1,617)		6,511
Prepaid expenses	48,024	17,029		30,995	12,561		18,434
Long-term investments	3,971,561	1,322,023	c	2,649,538	669,095	e	1,980,443
Capital assets, net of accumulated depreciation	4,788	1,077		3,711	(1,946)		5,657
LIABILITIES							
Accounts payable and accrued liabilities	46,781	(18,827)		65,608	25,991		39,617
Deposits held for others	39,197	5,637		33,560	(2,900)		36,460
Deferred revenue, current portion	708,528	313,048	f	395,480	74,842	f	320,638
Deferred revenue, long-term portion	1,168,529	88,909	f	1,079,620	(116,734)	f	1,196,354

All increases/decreases > \$50,000 were determined to be significant.

- a Decrease relates to investing activities. All cash is kept on deposit with SIU and the Association does not maintain any bank accounts.
- b Increase in deposits with SIU results primarily from increased operating activities.
- c Increase results from investment of operating cash provided by payments from SIU (see a above), gain on investments and additional royalty revenues.
- d Decrease results primarily from reclassification of short-term investment to long-term investment, \$ 255,305.
- e Increase results from (d) above and improvement in the stock market from 2003 to 2004.
- f During fiscal year 2003 the Association changed the method of accounting for life membership dues. The cumulative effect of this change was a reclassification of opening net assets to deferred revenue. During 2004, 80% of life membership dues collected was recorded as deferred revenue. In 2005, cash flows from membership dues increased \$ 64,600 and deferred revenues increased approximately \$ 402,000.

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ANALYSIS OF ACCOUNTS RECEIVABLE

June 30

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Accounts receivable net			
Other	<u>\$ 5,044</u>	<u>\$ 6,221</u>	<u>\$ 23,167</u>

All receivables reported above are deemed collectible.

State of Illinois
The Association of Alumni, Former Students and Friends
of Southern Illinois University, Incorporated

ANALYSIS OF OPERATIONS

For the two years ended June 30, 2005

ASSOCIATION FUNCTIONS AND PLANNING PROGRAM

The Association is a not-for-profit corporation which exists for the principal purpose of providing moral and material support to Southern Illinois University at Carbondale and its programs of instruction, research and service. The Association also provides opportunities for individual student development, and to advance the spirit of fellowship and loyalty among the members of the Association and other former students of Southern Illinois University.

The Association has formal, written long-term and short-term goals to achieve the above-mentioned mission. Various development activities have been designed as a means to reach identified goals. The achievement of these goals and the effectiveness of the development activities are reviewed by Mr. Edward M. Buerger, the Executive Director, on an ongoing basis. Overall performance is monitored with members of the Associations' Executive Committee.

Auditor's Assessment

The documentation of goals and the monitoring of progress appear reasonable for the two years ended June 30, 2005.

The Executive Director of the Association during the two years ended June 30, 2005, was Mr. Edward Buerger.

The Address of the Association is:

Southern Illinois University
Colyer Hall
Mailcode 6809
Carbondale, Illinois 62901

State of Illinois
The Association of Alumni, Former Students and Friends
of Southern Illinois University, Incorporated

ANALYSIS OF OPERATIONS - CONTINUED

For the two years ended June 30, 2005

AVERAGE NUMBER OF EMPLOYEES (UNAUDITED)

During the two years ended June 30, 2005, an average of 22 and 20 full-time and part-time employees, respectively, worked for the Association. These employees are officially employed by the University. The following is a breakdown of these employees by function.

	<u>2005</u>	<u>2004</u>
Data Entry	2	2
Directors	7	7
Administrative	<u>13</u>	<u>11</u>
Total	<u>22</u>	<u>20</u>

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)

Number of memberships at June 30, 2005 and 2004, were as follows:

	<u>2005</u>	<u>2004</u>
Annual	5,779	4,427
Life Membership	10,605	10,181

The above indicates an increase in life installment members in 2005 and 2004 due to an increase in membership promotions, and the strong telemarketing push by Directline Technologies.

State of Illinois
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of Southern Illinois University, Incorporated

ADDITIONAL REQUIRED INFORMATION (UNAUDITED)

For the two years ended June 30, 2005

LOCAL FUNDS

All funds of the Alumni Association are locally held funds and are not appropriated.

EMPLOYEE STATISTICS

The Alumni Association obtains all personnel through the contract with the University and has no employees.

SUMMARY OF ALUMNI ASSOCIATION PAYMENTS TO THE UNIVERSITY

	<u>2005</u>	<u>2004</u>
Expenses associated with services provided by the University	\$ 138,374	\$ 106,587
Expenses in association with Alumni relations	<u>28,019</u>	<u>20,485</u>
	<u>\$ 166,393</u>	<u>\$ 127,072</u>