

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

FINANCIAL AUDIT

For the year ended June 30, 2004  
(with comparative totals for 2003)

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



Kerber, Eck & Braeckel LLP

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

TABLE OF CONTENTS

	Page
ALUMNI ASSOCIATION OFFICIALS	3
FINANCIAL STATEMENT REPORT	
SUMMARY	4
INDEPENDENT AUDITORS' REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	11
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	12
STATEMENT OF CASH FLOWS	13
NOTES TO BASIC FINANCIAL STATEMENTS	14
REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	21

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

ALUMNI ASSOCIATION OFFICIALS

June 30, 2004

The Alumni Association Board of Directors:

Mr. Edward T. Pinnell, President  
Mr. John J. Conrad, Immediate Past President  
Ms. Marcia Wickenhauser, Vice President  
Mr. Larry R. Lexow, Vice President Finance  
Mr. Nick Adams  
Mr. Roger Belshe  
Ms. Elzora P. Douglas  
Ms. Ann Ficken  
Mr. Ajay K. Kansal  
Mr. Frank A. Nave  
Ms. Debra O'Neill  
Mr. John Simmons  
Ms. Janet Sprehe

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

Director of Alumni Affairs  
Assistant Director of Alumni Affairs  
Administrative Assistant

Mr. Remy Billups  
Mrs. Anna Pugh-Dunham  
Mrs. Melissa Ocepek

Alumni Association offices are located at:

Southern Illinois University Edwardsville  
B. Barnard Birger Hall  
#30 Circle Drive  
Edwardsville, IL 62026

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

FINANCIAL STATEMENT REPORT  
SUMMARY

June 30, 2004

The audit of the accompanying basic financial statements of the Alumni Association of Southern Illinois University Edwardsville was performed by Kerber, Eck & Braeckel LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Alumni Association's basic financial statements.

## Independent Auditors' Report

Honorable William G. Holland  
Auditor General, State of Illinois  
and  
Board of Directors  
The Alumni Association  
of Southern Illinois University Edwardsville

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the Alumni Association of Southern Illinois University Edwardsville (the "Association"), a component unit of Southern Illinois University, as of and for the year ended June 30, 2004, 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. The prior year summarized comparative information has been derived from the Association's 2003 financial statements and, in our report dated September 12, 2003, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alumni Association of Southern Illinois University Edwardsville as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 7 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2004, 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.

Kulow, Eck & Bruschel LLP

Springfield, Illinois  
September 20, 2004

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2004

**Introduction**

Following this discussion and analysis are the financial statements for the Alumni Association of Southern Illinois University Edwardsville. Significant changes have been made to the financial statement format in recent years due to the implementation of guidelines issued by the Governmental Accounting Standards Board (GASB). The previous year was the first year that the financial statements provided comparative data for two years under the new format. The current year statements show comparative data for Fiscal Years ended June 30, 2003 and June 30, 2004. The GASB Statements requiring either new or revised financial statements and note disclosures included:

- |                       |   |
|-----------------------|---|
| GASB Statement No. 35 | <i>Basic Financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities</i>     |
| GASB Statement No. 37 | <i>Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus</i> |
| GASB Statement No. 38 | <i>Certain Financial Statement Note Disclosures</i>   |

This discussion and analysis will identify the financial statements and their relationship to each other, explain significant changes implemented this fiscal year, and outline any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position of the Alumni Association.

**Financial Statements**

The three financial statements presented for fiscal years 2004 and 2003 (comparative totals only for 2003) are the Statement of Net Assets; the Statement of Changes in Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. The format is intended to provide the financial statement user with a better indication of the resources available to the organization and the existing commitments against those resources.

The Statement of Net Assets for the Alumni Association identifies all assets (resources) in order of their liquidity, and lists all liabilities (commitments) in order of their term length. The net assets, formerly known as Fund Balance, are presented in a manner that indicates the level of restriction, if any, placed on the net assets. The Alumni Association reports \$ 214,076 in net assets at June 30, 2004, of which \$ 212,084 are unrestricted and \$ 1,992 are invested in capital assets.

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2004

**SIUE Alumni Association Net Assets**  
(in thousands of dollars)

	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>% Change</u>
<b>Assets</b>			
<b>Current Assets</b>	\$ 73	\$ 75	-2.6%
<b>Non-Current Assets</b>	<u>193</u>	<u>153</u>	26.1 %
<b>Total Assets</b>	266	228	16.7 %
<b>Total Current Liabilities</b>	<u>52</u>	<u>43</u>	20.9 %
<b>Total Net Assets</b>	<u>\$ 214</u>	<u>\$ 185</u>	15.7 %

The Net Assets of the Alumni Association increased by 15.7%, due primarily to the increase in the value of the Alumni Association's investment portfolio. This is illustrated above by the 26.1% increase in the Non-Current Assets of the Association. This significant increase was due to two events. First, approximately \$ 20,000 was allocated from liquid short-term investments to equities during the current year. Secondly, the value of the new purchases, as well as the existing portfolio, increased by approximately \$ 25,000, due to strong returns in the equity related holdings.

The Statement of Revenues, Expenses, and Changes in Net Assets details the activity for the fiscal year, including the change in net assets from last year due to this activity. Activity is segregated between operating activity and non-operating activity. The Increase in Net Assets of \$ 28,902, which is presented near the end of the statement, reflects the overall increase in available financial resources experienced during Fiscal Year 2004.

**SIUE Alumni Association Revenues, Expenses and Changes  
in Net Assets**  
(in thousands of dollars)

	<u>FY 2004</u>	<u>FY 2003</u>	<u>% Change</u>
<b>Total Operating Revenues</b>	\$ 288	\$ 290	-0.7%
<b>Operating Expenses</b>			
<b>Activities</b>	18	31	-41.9%
<b>Budget Expended at SIU</b>	174	172	1.2%
<b>Postage &amp; Publications</b>	61	53	15.1%
<b>Other Operating Expenses</b>	<u>32</u>	<u>28</u>	14.3%
<b>Total Operating Expenses</b>	285	284	0.4%
<b>Non-Operating Revenues (Expenses)</b>	<u>26</u>	<u>4</u>	550.0 %
<b>Increase in Net Assets</b>	29	10	190.0 %
<b>Net Assets - July 1</b>	<u>185</u>	<u>175</u>	5.7%
<b>Net Assets - June 30</b>	<u>\$ 214</u>	<u>\$ 185</u>	15.7 %

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2004

The '% Change' column in the summary on page 8, provides an indication of significant changes from last year to the current year. For example, under Operating Expenses, the Activities Expense decreased 41.9%, or approximately \$ 13,000 from last year. This was due to a reduction in the number of events sponsored by the Alumni Association in the current year. The reduction was due primarily to scheduling conflicts that were out of the Association's control. There is a high likelihood that these events will take place in the future and, therefore, the expenses will likely return to or exceed previous year's levels in future years.

Budget expended at SIUE, also part of Operating Expenses, represents the salaries and benefits of the Alumni Association employees that are provided by the University. There is a corresponding amount of revenue included under Operating Revenues on the first line in the statement on page 8. Consequently, this has no impact on the Alumni Association's Net Assets.

Non-Operating Revenues (Expenses) increased by approximately \$ 22,000, which is a large percentage increase. This is due entirely to the increase in the value of the Alumni Association investment portfolio mentioned earlier. In the previous year, the Fair Market Value of the portfolio actually decreased by \$ 2,239, versus an increase in the current year of \$ 18,931. This also contributed to a majority of the 15.7% increase in Total Net Assets at the bottom of the statement.

The final statement presented is the Statement of Cash Flows. The primary purpose of this statement is to categorize all cash transactions into operating, financing, and investing activities, and reconcile the cash flows used by operating activities to the Operating Income as presented on the Statement of Revenue, Expenses and Changes in Net Assets. During the fiscal year, the Alumni Association experienced a cash increase of \$ 20,426.

Cash flows from operating activities were \$ 20,260, a significant increase from the last fiscal year. Both cash received from activities, and cash payments made for activities (included within General and Operating Expenses) decreased significantly for reasons previously stated. Other items contributing to the decrease in General and Operating Expenses paid include the decrease in printing costs, as printed material from the previous fiscal year continued to be sufficient. Also, expenses incurred but not paid increased by \$ 9,415, due primarily to the cost of the annual audit that was not billed in the current year.

Cash Flows from capital and related financing activities were higher in the current fiscal year, due simply to the purchase of an asset in Fiscal Year 2003, with no asset purchases in Fiscal Year 2004. There are no other significant variances on the Statement of Cash Flows.

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2004

**Facts, Decisions, or Conditions Significantly Affecting Net Assets**

There are no facts, decisions, or conditions significantly affecting net assets other than those items explained in the previous section of this discussion and analysis. However, please see the notes to the financial statements that include additional details and further explanations of data presented in the financial statements. The notes are an integral part of the financial statements and should be included as part of any review or analysis.

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

STATEMENT OF NET ASSETS

June 30, 2004  
(with comparative totals for 2003)

ASSETS

	<u>2004</u>	<u>2003</u>
Current assets		
Cash (Note C)	\$ 43,428	\$ 23,002
Short-term investments (Note C)	27,264	42,899
Interest receivable	783	783
Other receivables	450	-
Prepaid expenses	949	8,554
	<hr/>	<hr/>
Total current assets	72,874	75,238
	<hr/>	<hr/>
Non-current assets		
Capital assets, net of accumulated depreciation (Note D)	1,992	3,079
Investments (Note C)	191,158	150,130
	<hr/>	<hr/>
Total non-current assets	193,150	153,209
	<hr/>	<hr/>
Total assets	266,024	228,447
	<hr/>	<hr/>

LIABILITIES

Current liabilities		
Accounts payable - SIUE	3,679	3,794
Accounts payable - Other	9,530	-
Deposits held in custody	1,079	1,079
Deferred revenue (Note A6)	37,660	38,400
	<hr/>	<hr/>
Total current liabilities	51,948	43,273
	<hr/>	<hr/>

NET ASSETS

Net assets		
Invested in capital assets, net of related debt	1,992	3,079
Unrestricted	212,084	182,095
	<hr/>	<hr/>
Total net assets	\$ 214,076	\$ 185,174
	<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2004  
(with comparative totals for 2003)

	<u>2004</u>	<u>2003</u>
Operating revenues		
Activities	\$ 14,155	\$ 23,538
Annual dues	32,717	40,348
Budget allocations from SIUE (Note G)	173,546	171,586
Life memberships	12,194	9,082
Miscellaneous	499	-
SIUE Foundation Support (Note G)	38,818	29,401
Commissions (Note E)	<u>15,944</u>	<u>16,423</u>
Total operating revenues	<u>287,873</u>	<u>290,378</u>
Operating expenses		
Activities	18,169	31,004
Administrative	2,086	2,521
Audit fees	9,000	9,058
Awards and scholarships	10,286	10,235
Budget expended at SIUE (Note G)	173,546	171,586
Miscellaneous	4,798	3,900
Depreciation (Note D)	1,087	181
Postage	19,504	15,746
Publications	41,089	36,893
Travel	<u>4,965</u>	<u>2,939</u>
Total operating expenses	<u>284,530</u>	<u>284,063</u>
Operating income	<u>3,343</u>	<u>6,315</u>
Nonoperating revenues (expenses)		
Contributions	35	75
Interest	6,593	5,591
Net change in fair value of investments (Note C)	<u>18,931</u>	<u>(2,239)</u>
Net nonoperating revenues	<u>25,559</u>	<u>3,427</u>
Increase in net assets	28,902	9,742
Net assets		
Net assets - beginning of year	<u>185,174</u>	<u>175,432</u>
Net assets - end of year	<u>\$ 214,076</u>	<u>\$ 185,174</u>

The accompanying notes are an integral part of this statement.

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

STATEMENT OF CASH FLOWS

For the year ended June 30, 2004  
(with comparative totals for 2003)

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Payments received for annual dues	\$ 34,170	\$ 31,499
Payments received for life memberships	19,830	21,276
Commissions received	15,944	16,423
Payments received for activities	4,493	30,434
Miscellaneous cash receipts	499	1,079
Payments to the Foundation	(3,480)	(4,347)
Payments to SIUE	(33,938)	(35,102)
General and operating payments	<u>(17,258)</u>	<u>(63,995)</u>
Net cash provided (used) by operating activities	<u>20,260</u>	<u>(2,733)</u>
Cash flows from noncapital financing activities		
Contributions for other than capital purposes	<u>35</u>	<u>75</u>
Net cash provided by noncapital financing activities	<u>35</u>	<u>75</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	<u>-</u>	<u>(3,260)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(3,260)</u>
Cash flows from investing activities		
Interest income	<u>131</u>	<u>198</u>
Net cash provided by investing activities	<u>131</u>	<u>198</u>
Net increase (decrease) in cash	20,426	(5,720)
Cash - beginning of year	<u>23,002</u>	<u>28,722</u>
Cash - end of year	<u>\$ 43,428</u>	<u>\$ 23,002</u>
Reconciliation of operating income to net cash flows provided (used) by operating activities		
Operating income	\$ 3,343	\$ 6,315
Adjustments to reconcile operating revenues (expenses) to net cash flows provided (used) by operating activities		
Depreciation expense	1,087	181
Changes in assets and liabilities		
Receivables	(450)	-
Prepaid expenses	7,605	(7,691)
Payables	9,415	(12,860)
Other Liabilities	<u>(740)</u>	<u>11,322</u>
Net cash flows provided (used) by operating activities	<u>\$ 20,260</u>	<u>\$ (2,733)</u>

The accompanying notes are an integral part of this statement.

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2004

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*1. Financial Reporting Entity*

The Alumni Association of Southern Illinois University Edwardsville (the "Association") exists for the primary purpose of aiding and assisting Southern Illinois University Edwardsville ("SIUE" or "University") in achieving its educational, research and service goals and responsibilities.

Due to the significance of the financial relationship with the University, the Association is included as a component unit of the University for financial reporting purposes in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*. The financial activities included in these financial statements are reported in a separate column in the University's financial statements to emphasize that the Association is an Illinois not-for-profit organization legally separate from the University.

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

*2. Financial Statement Presentation*

Effective July 1, 2001, the Association adopted 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*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB Statements Nos. 35, 37 and 38 provides a comprehensive perspective of the Association’s assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

*3. 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 the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*3. Basis of Accounting - continued*

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 to not apply FASB pronouncements issued after the applicable date.

*4. 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 fair value of investments are reported in the nonoperating section of the accompanying statement of revenues, expenses, and changes in net assets. Also, certain money market investments having a remaining maturity of one year or less at the time of purchase and nonnegotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

*5. Capital Assets*

Property and equipment purchased by the Alumni Association are recorded at cost. For equipment, the Alumni Association's capitalization policy includes all items with a unit cost of \$ 1,000 or more, and an estimated useful life of greater than one year. 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 3 to 7 years for equipment.

*6. Deferred revenue*

Revenue on lifetime memberships is recognized ratably over a 5 year period. Deferred revenue represents the unexpired portion of dues received as of June 30.

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

7. *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 accumulated depreciation and reduced by outstanding debt obligations, if any, related to those capital assets.
- **Restricted net assets:** Restricted net assets include resources for which the Association is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. The Association has no restricted net assets at June 30, 2004.
- **Unrestricted net assets:** Unrestricted net assets represent resources used for transactions relating to the educational and general operations of the Association, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Association's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

8. *Classifications of Revenues*

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

- **Operating revenues:** Operating revenues include activities that have the characteristics of exchange transactions, such as memberships, dues and commissions.
- **Non-operating revenues:** Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, investment income and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

**NOTE B - TAX STATUS**

An IRS ruling dated September 1973, determined that the Association qualifies for federal income tax exemption under Section 501(c)(3). The IRS has further determined that the Association is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Section 509(a)(3).

**NOTE C - CASH AND INVESTMENTS**

Cash: The carrying amount of the Association's deposits was \$ 43,428 at June 30, 2004. The related balances at financial institutions were \$ 43,356. The Federal Deposit Insurance Corporation insures these balances up to \$ 100,000.

Investments: The Association utilizes an investment trustee authorized by the Board of Directors to invest the Association's funds.

	Risk Category			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Corporate debt obligations	\$ -	\$ -	\$ 52,162	\$ 52,162
Common stocks	<u>-</u>	<u>-</u>	<u>42,120</u>	<u>42,120</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,282</u>	94,282
Not subject to categorization				
Money market accounts				27,264
Mutual funds				<u>96,876</u>
Subtotal investments for GASB Statement No. 3				218,422
Reconciliation of investments per accompanying statement of net assets				
Short-term investments				<u>(27,264)</u>
Noncurrent investments				<u>\$ 191,158</u>

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

**NOTE C - CASH AND INVESTMENTS - Continued**

Category 1 includes investments that are insured or registered in the Association's name or for which securities are held by the Association or its agent in the Association's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Association's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department agent, but not in the Association's name. Mutual funds, money markets, and other investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments was \$ 18,931 for 2004. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

**NOTE D - CAPITAL ASSETS**

As a result of the adoption of GASB Statement No. 35, the Association has recognized depreciation on its capital assets. Capital assets consist of the following:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2004</u>
Equipment	\$ 3,260	\$ -	\$ -	\$ 3,260
Less accumulated depreciation for equipment	<u>(181)</u>	<u>(1,087)</u>	<u>-</u>	<u>(1,268)</u>
Capital assets, net of depreciation	<u>\$ 3,079</u>	<u>\$ (1,087)</u>	<u>\$ -</u>	<u>\$ 1,992</u>

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

**NOTE E - CREDIT CARD ARRANGEMENT**

The Association entered into an agreement with MBNA America Bank, N.A. (the "Bank") whereby the Association and the Bank will market the Bank's credit card services to University students, alumni, employees and others, using the Association's name and logo. In conjunction with this agreement, the Association will receive certain fees and royalties based upon each new account opened and amounts charged on these accounts.

Fees or royalties earned were \$ 15,944 for 2004, which are included with commissions in the basic financial statements for the year ended June 30, 2004.

**NOTE F - RETIREMENT PLAN**

All full-time Association personnel are University employees. Retirement benefits and post-retirement benefits other than pension are available for eligible University employees under a contributory retirement plan (the "Plan") administered by the State Universities Retirement System. Participants of the Plan contribute eight percent of their gross earnings, and the University annually contributes an amount determined by the State Legislature from State appropriations and amounts from other current funds based on actuarially determined rates. Information pertaining to the Plan and Plan benefits can be found in the University's financial statements. The Association does not own any of the Plan assets and has no responsibility for the Plan obligations.

During 2004, SIU contributed \$ 14,366 to the Plan on behalf of Association personnel. This amount is included in the amounts shown as Budget allocations from SIU and Budget expended at SIU in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

**NOTE G - TRANSACTIONS WITH RELATED PARTIES**

The Association receives benefits from an agreement between the Board of Trustees of SIUE and the Foundation, which specifies the relationship between the two organizations in accordance with the Legislative Audit Commission's University Guidelines, 1997. Under the terms of the contract, the Foundation provides coordination of alumni services on behalf of SIUE and provides various services to the Association without charge. The Foundation expended \$ 38,818 in 2004, as reimbursement to SIUE on the Association's behalf. This amount is reflected as SIUE Foundation support in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

State of Illinois  
The Alumni Association  
of Southern Illinois University Edwardsville

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

**NOTE G - TRANSACTIONS WITH RELATED PARTIES - Continued**

The Association also uses various services of SIUE and directly reimburses SIUE at a cost equal to that charged by SIUE to other users. The Association expended \$ 33,938 in 2004 to SIUE. The Association also expended \$ 3,480 in 2004 to the Foundation for support of Foundation activities. Both amounts are reflected as payments to related organizations in the Statement of Cash Flows.

Pursuant to governmental accounting standards, the Association is required to recognize as revenue and expense those on-behalf payments for salaries and fringe benefits made by the University for personnel of the Association. The amount reflected as Budget allocations from SIU and Budget expended at SIU in the accompanying Statement of Revenues, Expenses and Changes in Net Assets totaled \$ 173,546 for the year ended June 30, 2004.

**NOTE H - SUMMARIZED FINANCIAL INFORMATION**

The financial statements include prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2003, from where the summarized information was derived.



REPORT ON COMPLIANCE AND OTHER MATTERS AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Honorable William G. Holland  
Auditor General, State of Illinois  
and  
Board of Directors  
The Alumni Association  
of Southern Illinois University Edwardsville

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the Alumni Association of Southern Illinois University Edwardsville (the “Association”) as of and for the year ended June 30, 2004, and have issued our report thereon dated September 20, 2004. 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.

**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 the Association’s 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*.

## **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 Association's 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.

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

*Kulow, Eck & Brueckel LLP*

Springfield, Illinois  
September 20, 2004