

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

Financial Audit for the Years Ended
June 30, 2005 and 2004
and
Compliance Examination for the Two Years Ended
June 30, 2005

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

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OTHER RELATED REPORTS (UNDER SEPARATE COVER)

Eastern Illinois University Foundation
Financial Audit for the years ended June 30, 2005 and 2004
Compliance Examination for the two years ended June 30, 2005

Eastern Illinois University
Financial Audit for the years ended June 30, 2005 and 2004 and
Compliance Examination for the year ended June 30, 2005

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

ALUMNI ASSOCIATION OFFICIALS

June 30, 2005

The Alumni Association Board of Directors include:

Ms. Susan Young, President	Ms. Tracy Schorle, Vice President
Ms. Victoria Markley, Secretary-Treasurer	Ms. Rene Hutchinson
Mr. David Sluzevich, Immediate Past President	Mr. Gary Kling
Mr. Paul Aguilar	Mr. Tim McCollum
Mr. Michael Baum	Ms. Alison Mormino
Ms. Joan Boldrey	Mr. Shawn Peoples
Ms. Katie Cox	Mr. Jim Schnorf
Mr. Don Gher	Mr. David Senteney
Ms. Sara Groom	Mr. Dave Siebert
Mr. Steve Gosselin	Mr. Brad Waltrip
Mr. Todd Hammerlink	

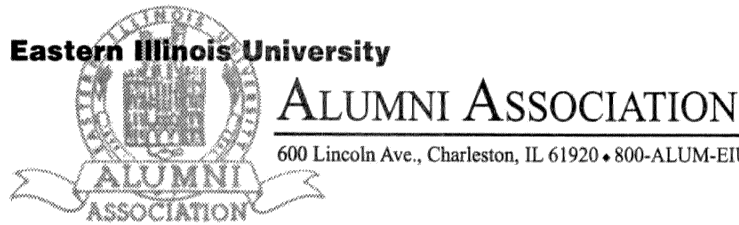
The Executive Director of the Alumni Association is Mr. Steve Rich.

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

Mr. Jeffrey L. Cooley, CPA	Vice President for Business Affairs
Mr. Rick Edwards, CPA	Assistant Comptroller
Ms. Tami Babbs	Accountant III
Ms. Jerilyn Hutson	Assistant Director, Alumni Services
Mr. Jonathan McKenzie	Assistant Director, Alumni Services
Ms. April Schuette	Assistant Director, Alumni Services

Alumni Association office is located at:

Brainard House
1548 Fourth Street
Charleston, IL 61920



October 14, 2005

Doehring, Winders, & Co. LLP
Certified Public Accountants
1601 Lafayette Avenue
Mattoon, Illinois 61938

Gentlemen:

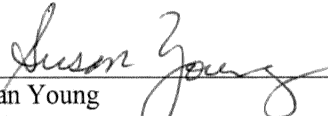
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts and grants that could have a material effect on the operations of the Eastern Illinois University Alumni Association (Association). We are responsible for and have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Association's compliance with the following assertions during the two years ended June 30, 2005. Based on this evaluation, we assert that during the two years ended June 30, 2005, the Association materially complied with the assertions below:

- A. The Association has obligated, expended, received and used funds in accordance with the purpose for which such funds have been received or otherwise 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, including the State Uniform Accounting System, 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.

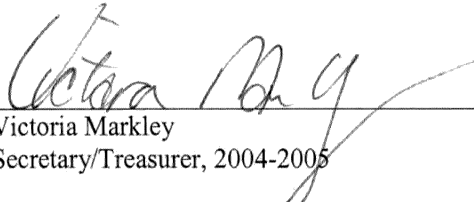
- E. The money or negotiable securities or similar assets handled by the Association or held in trust by the Association have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Sincerely,

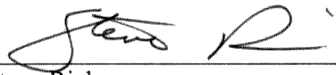
Eastern Illinois University Alumni Association



Susan Young
President, 2004-2005



Victoria Markley
Secretary/Treasurer, 2004-2005



Steve Rich
Executive Director

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

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.

AUDITOR'S 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 non-standard language.

SUMMARY OF FINDINGS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
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There were no findings identified.

EXIT CONFERENCE

Per letter dated November 7, 2005, Alumni Association officials elected to waive the opportunity to hold an exit conference.

DOEHRING, WINDERS & CO. LLP
*Certified Public Accountants
& Business Advisers*
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

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
Springfield, Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Eastern Illinois University Alumni Association, Inc.'s, a component unit of the State of Illinois and Eastern Illinois University, (the Association), 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 two years ended June 30, 2005. 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 received or otherwise 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, including the State Uniform Accounting System, 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. The money or negotiable securities or similar assets handled 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 two years ended June 30, 2005.

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 that have been 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 as listed in the table of contents of the Eastern Illinois University Alumni Association, Inc., a component unit of the State of Illinois and Eastern Illinois University, (the Association) as of and for the years ended June 30, 2005 and 2004. 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated 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, the Association's basic financial statements for the year ended June 30, 2004. In our report dated October 8, 2004, we expressed an unqualified opinion on the basic financial statements. In our opinion, the 2004 Supplementary Information for State Compliance Purposes is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004, 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 Board of Directors, and Association management, and is not intended to be and should not be used by anyone other than these specified parties.

Doehring, Winders & Co. LLP

October 14, 2005

DOEHRING, WINDERS & CO. LLP
Certified Public Accountants
& Business Advisers
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

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
Springfield, Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of Eastern Illinois University Alumni Association, Inc., a component unit of the State of Illinois and Eastern Illinois University, (the Association) as of and for the years ended June 30, 2005 and 2004 and have issued our report thereon dated October 14, 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 over financial reporting 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. We noted certain immaterial instances of internal control deficiencies which we have reported to the Association in a separate letter dated October 14, 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*.

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

Doehring, Winders & Co. LLP

October 14, 2005

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

FINANCIAL STATEMENT REPORT SUMMARY

June 30, 2005 and 2004

The audits of the accompanying financial statements of Eastern Illinois University Alumni Association, Inc. were conducted by Doehring, Winders & Co. LLP.

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

DOEHRING, WINDERS & CO. LLP

*Certified Public Accountants
& Business Advisers*

1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

Independent Auditor's Report

Honorable William G. Holland
Auditor General, State of Illinois
Springfield, Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements as listed in the table of contents of the Eastern Illinois University Alumni Association, Inc., a component unit of the State of Illinois and Eastern Illinois University, (the Association) as of and for the years ended June 30, 2005 and 2004. 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2005, on our consideration of the Association's internal control over financial reporting and 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 results of our audit.

Management's discussion and analysis on pages 12-18 is not a required part of the 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 methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Doehring, Winders & Co. LLP

October 14, 2005

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Illinois University Alumni Association (the Association) annual financial report presents management's discussion and analysis of the financial performance of the Association during the fiscal year ended June 30, 2005. 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 Eastern Illinois University Alumni Association is a non-profit corporation and is considered to be a component unit of Eastern Illinois University (University), as defined by the Governmental Accounting Standards Board Statement No. 39. This statement defines component units as organizations where the "substance and significance of the relationship between the organization and the primary government (or its component units) would be such that the exclusion of that organization from the reporting entity's financial statements would render those statements misleading or incomplete." Accordingly, the Association is included in the University's financial statements as a discrete component unit. Transactions with the University relate primarily to fostering loyalty and fellowship among the alumni of the University and provide a medium through which the alumni can contribute to the welfare of the University.

The Alumni Association is located in Charleston, Illinois. The Association 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 Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and the Statement 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 Statement of Net Assets reflects 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 Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the fiscal year. Revenues and expenses are reported as either operating or nonoperating. Under the current reporting model, investment income, interest expense, grants to the University, and scholarships are treated as nonoperating activity.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing and investing activities.

Financial Highlights

During the year ended June 30, 2005, the Association's net assets increased by \$517,432 to \$2,085,241. The reasons for this increase are (1) the Association entered into a new credit card affinity program, resulting in royalty income of \$646,683 (2) the Association funded, and donated to the University, the construction of a clock tower costing \$90,557 and (3) the Association reported a \$17,960 decrease in the fair value of investments due to a fluctuation in the bond markets.

During the year ended June 30, 2004, the Association's net assets decreased by \$40,309 to \$1,567,809. The reasons for this decrease are (1) the Association realized a decrease of \$5,775 in membership dues income (2) the Association incurred bad debt expense of \$5,900 and (3) the Association reported a \$19,991 decrease in the fair value of investments due to a fluctuation in the bond markets.

Condensed Financial Information

Condensed Statement of Net Assets June 30:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets			
Current assets	\$ 634,530	\$ 642,953	\$ 435,717
Noncurrent assets			
Capital	229,683	235,682	241,681
Other	1,221,033	690,380	930,938
Total noncurrent assets	<u>1,450,716</u>	<u>926,062</u>	<u>1,172,619</u>
Total assets	<u>\$ 2,085,246</u>	<u>\$ 1,569,015</u>	<u>\$ 1,608,336</u>
Liabilities			
Current liabilities	\$ 5	\$ 1,206	\$ 218
Total liabilities	<u>5</u>	<u>1,206</u>	<u>218</u>
Net assets			
Invested in capital assets	229,683	235,682	241,681
Unrestricted	1,855,558	1,332,127	1,366,437
Total net assets	<u>2,085,241</u>	<u>1,567,809</u>	<u>1,608,118</u>
Total liabilities and net assets	<u>\$ 2,085,246</u>	<u>\$ 1,569,015</u>	<u>\$ 1,608,336</u>

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

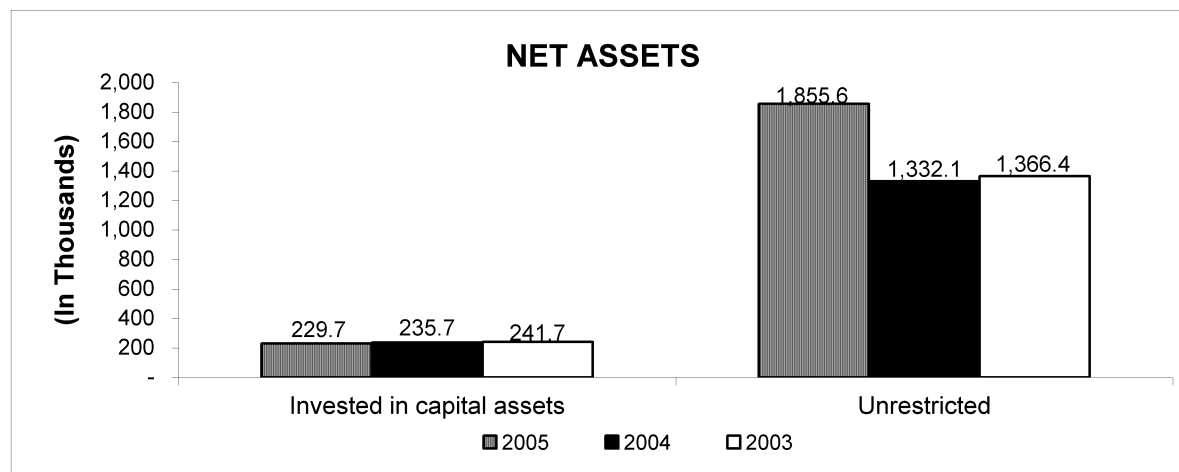
Condensed Financial Information - continued

At June 30, 2005 and 2004, Association assets totaled \$2,085,246 and \$1,569,015, respectively. The largest asset of the Association in either year is its investments of \$1,142,540 at June 30, 2005 and \$1,179,467 at June 30, 2004. The \$36,927 decrease in 2005 is mainly due to (1) the decrease of \$17,960 in the fair value of the investments at June 30, 2005, and (2) the Association withdrew \$18,937 more from the investment account than the account's net income was for 2005. For fiscal year 2004, the \$29,652 decrease was mainly due to 1) the decrease of \$19,991 in the fair value of the investments at June 30, 2004, and (2) the Association withdrew \$9,636 more from the investment account than the account's net income was for 2004.

There was no significant difference in liabilities from fiscal year 2004 to 2005 or 2003 to 2004.

Total net assets increased in 2005 by \$517,432. This is mainly due to the new credit card affinity contract executed during 2005. There were no material changes in total net assets between fiscal years 2004 and 2003.

The following graph shows net assets by classification and restriction:



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

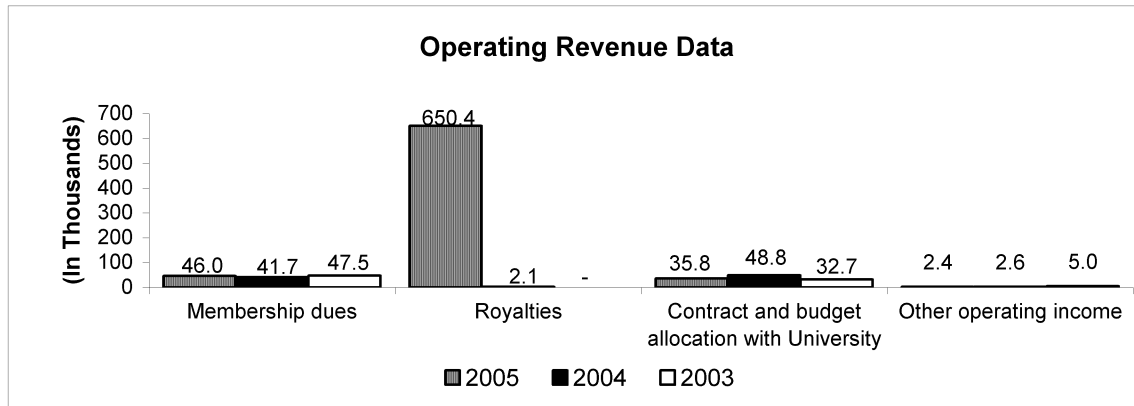
	2005	2004	2003
Operating revenues	\$ 734,679	\$ 95,148	\$ 85,114
Operating expenses	<u>152,492</u>	<u>152,142</u>	<u>117,063</u>
Operating income (loss)	582,187	(56,994)	(31,949)
Net non-operating revenues (expenses)	<u>(64,755)</u>	<u>16,685</u>	<u>71,726</u>
Increase (decrease) in net assets	<u>517,432</u>	<u>(40,309)</u>	<u>39,777</u>
Net assets			
Net assets-beginning of year	<u>1,567,809</u>	<u>1,608,118</u>	<u>1,568,341</u>
Net assets-end of year	<u><u>\$ 2,085,241</u></u>	<u><u>\$ 1,567,809</u></u>	<u><u>\$ 1,608,118</u></u>

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Operating Revenues

Total operating revenues for fiscal years 2005 and 2004 were approximately \$734.7 thousand and \$95.1 thousand, respectively. The most significant source of operating revenue for the Association in 2005 was the \$646.7 thousand of royalty income from the new affinity card contract. In 2004 it was membership dues, service contract and budget allocation with the University, as shown below:



Membership Dues

Membership dues assist in covering the cost of keeping in touch with alumni. The benefits from the membership include subscription to "Old Main Line" magazine, use of University library, discounts and first priority on various tickets to events, travel related discounts and various other benefits. New graduates receive a complimentary one-year membership. Starting in fiscal year 2003, the new graduate only has to pay half of an annual membership if they renew their membership for a second year. The following is a list of the cost of memberships:

New Graduate Membership	\$ 15
Annual Membership	\$ 30
Annual Family Membership	\$ 45
Life Membership	\$ 450
Family Life Membership	\$ 700
Senior Life Membership (available only during fiscal year 03)	\$ 225
Senior Family Life Membership (available only during fiscal year 03)	\$ 350

As shown at the top of the following page, the total number of Association paid memberships grew during fiscal year 2005 and 2004. The 2005 increase in total paid memberships resulted in a \$4,336 increase in membership dues revenue over 2004. In 2004, because the Association offered seniors a special half price option on life memberships in fiscal year 2003, membership dues revenue decreased by \$5,775. At June 30, 2005, 2004, and 2003, the Association had the following membership breakdown:

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Membership Dues - continued

	2005	2004	2003
Complementary Annual Memberships	3,361	2,328	2,463
New Graduate Memberships	68	92	87
Annual Memberships	1,000	944	767
Annual Family Memberships	111	123	95
Life Memberships	172	163	156
Family Life Memberships	38	36	33
Senior Life Memberships	37	37	37
Senior Family Life Memberships	9	9	9

Royalties

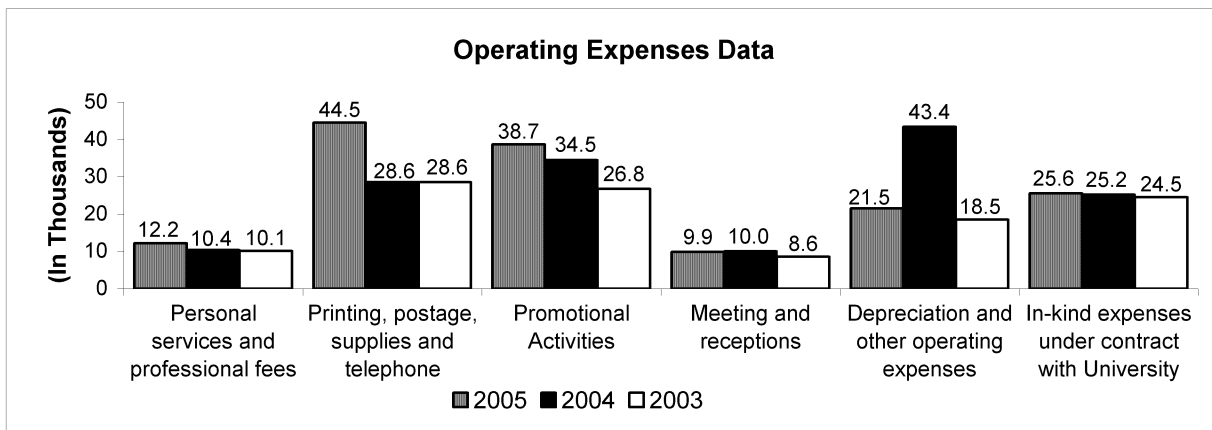
During fiscal year 2005, the Association entered into a new agreement with a bank whereby the Association and the bank will market the bank's credit card services to members of the Association (plus other participants mutually agreed to by the Association and the bank) using the Association's name and logo. The present value amount of the guaranteed payments under this agreement were recognized as revenue in fiscal year 2005.

Service Contract and Budget Allocation from the University

The amount of the budget allocation from the University decreased approximately 57% in fiscal year 2005 over fiscal year 2004 and increased 190% in fiscal year 2004 over 2003. This was the result of the State of Illinois allocating additional funds (over the regular appropriation) to be applied against the unfunded liability in the State Universities Retirement System. There was not a material difference in the amount of the revenue recognized in the service contract with the University in any of the fiscal years presented.

Operating Expenses

Operating Expenses for the years ended June 30, 2005 and 2004, totaled \$152,492 and \$152,142, respectively. Of the total for 2005, \$23,490 or 15% was printing costs, \$48,643 or 32% was meeting, receptions and promotional activities, and \$25,625 or 17% was in-kind expenses under contract with the University. Of the 2004 total, \$18,281 or 12% was printing costs, \$44,497 or 29% was meeting, receptions and promotional activities, and \$25,240 or 17% was in-kind expenses under contract with the University. The breakout by expense is highlighted below:



EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Other

The investment income of \$30,802 and \$32,385 for the years ended June 30, 2005 and 2004 was the largest source of nonoperating revenue each year. This is made up of interest and dividends earned of \$48,762 less a decrease in fair market value of investments of \$17,960 for 2005 and interest and dividends earned of \$52,376 less a decrease in fair market value of investments of \$19,991 for 2004. The decreases in the fair market values in 2005 and 2004 are primarily due to unrealized losses because of changes in current interest rates.

Gifts and grants to the University of \$90,557 and \$10,500 for the years ended June 30, 2005 and 2004 were the largest source of nonoperating expenses each year. The large increase in 2005 was because the Association funded the construction of a campus clock tower given as a gift to the University. During 2005 and 2004, the Association also awarded \$5,000 and \$5,200 of scholarships to students, respectfully. Finally, during 2003 the Association paid off a mortgage on the Brainard House. Therefore, the Association had no interest expense in 2004.

The Statement of Cash Flows

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

Condensed Statement of Cash Flows

	Years ended June 30		
	2005	2004	2003
Cash provided (used) by:			
Operating activities	\$ 138,368	\$ (39,818)	\$ (43,184)
Noncapital financing activities	(95,557)	(15,700)	(10,100)
Capital and related financing activities	-	-	(135,701)
Investing activities	70,604	64,061	174,836
Net increase (decrease) in cash and cash equivalents	113,415	8,543	(14,149)
Cash-beginning of year	16,345	7,802	21,951
Cash-end of year	\$ 129,760	\$ 16,345	\$ 7,802

For fiscal year 2005, the major source of funds included in operating activities were royalty payments of \$200,000 received from the credit card affinity program. For fiscal year 2004, the major source of funds included in operating activities was membership dues of \$43,116, a decrease from 2003 due to the special life membership offer given to seniors in 2003. The payments to suppliers totaled \$111,464 for 2005 and \$87,583 for 2004. The \$23,881 increase in payments is due to the costs incurred in printing and mailing the Old Main Line magazine to alumni; mailing of a large membership renewal notice; and additional promotional activities in 2005. The use of funds included in noncapital financing activities during 2005 is the gift of the clock tower to the University of \$90,557 and the awarding of scholarships to students of \$5,000 in 2005. In 2004 the grants to the University totaled \$10,500 and scholarships \$5,200. In 2005 and 2004 there was no activity from capital and related financing activities. The Association paid off a mortgage note during 2003. The net source of funds from investing activities in fiscal year 2005 are the \$51,637 received from interest and dividends (which were

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Statement of Cash Flows - continued

reinvested, net of fees), and the \$70,000 of investments redeemed to use in the operation of the Association. For fiscal year 2004, the net source of funds from investing activities were \$54,400 received from interest and dividends (which were reinvested, net of fees) and the \$64,000 of investments redeemed for use in operation of the Association.

Economic Outlook

The Alumni Association's operations are funded primarily through earnings generated from investments, membership programs and payments to be received from a credit card affinity program. Additional funds of a smaller scale are obtained through travel programs and health insurance offerings to recent graduates. In fiscal year 2006, the Association anticipates it will receive \$120,000 through the credit card affinity program.

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.

STATEMENT OF NET ASSETS

June 30, 2005 and 2004

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 129,760	\$ 16,345
Investments	360,610	493,887
Accounts receivable	4,980	3,761
Interest receivable	11,160	14,035
Royalties receivable	113,529	100,000
Prepaid expense	14,491	14,925
Total current assets	634,530	642,953
Noncurrent assets:		
Accounts receivable	5,950	4,800
Royalties receivable	433,153	-
Investments	781,930	685,580
Capital assets, net of accumulated depreciation	229,683	235,682
Total noncurrent assets	1,450,716	926,062
Total assets	\$ 2,085,246	\$ 1,569,015
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 5	\$ 1,206
Total liabilities	5	1,206
NET ASSETS		
Invested in capital assets	229,683	235,682
Unrestricted	1,855,558	1,332,127
Total net assets	2,085,241	1,567,809
Total liabilities and net assets	\$ 2,085,246	\$ 1,569,015

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

Years ended June 30, 2005 and 2004

	2005	2004
OPERATING REVENUES:		
Membership dues	\$ 46,015	\$ 41,710
Merchandise sales	-	430
Alumni promotions	1,020	1,177
Royalties	650,440	2,073
Service contract with the University	25,625	25,240
Budget allocation from the University	10,171	23,549
Gifts	1,290	530
Other operating income	118	439
	734,679	95,148
OPERATING EXPENSES:		
Personal services	4,050	2,401
Printing	23,490	18,281
Postage, telephone and supplies	21,005	10,320
Dues and subscriptions	1,562	554
Meetings and receptions	9,905	9,978
Professional fees	8,172	8,018
Promotional activities	38,738	34,519
Insurance	3,263	3,272
Building expenditures	512	4,111
In-kind expenses under contract with the University		
Personnel services	24,982	24,538
Rent, utilities and maintenance	643	702
Budget expended at the University	10,171	23,549
Bad debt expense	-	5,900
Depreciation expense	5,999	5,999
	152,492	152,142
Total operating expenses		
	582,187	(56,994)
NONOPERATING REVENUE (EXPENSES)		
Investment income:		
Interest and dividends	48,762	52,376
Net (decrease) in fair market value of investments	(17,960)	(19,991)
Scholarships	(5,000)	(5,200)
Gifts/grants to the University	(90,557)	(10,500)
	(64,755)	16,685
Net nonoperating revenues (expenses)		
	517,432	(40,309)
NET ASSETS		
Net assets - beginning of year	1,567,809	1,608,118
	\$ 2,085,241	\$ 1,567,809

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Years ended June 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Membership dues	\$ 43,646	\$ 43,116
Gifts	1,290	530
Promotional revenue	1,020	1,177
Royalties	203,758	2,073
Other receipts	118	869
Payments to suppliers and vendors	(111,464)	(87,583)
Net cash provided (used) in operating activities	138,368	(39,818)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Scholarships	(5,000)	(5,200)
Gifts/grants to the University	(90,557)	(10,500)
Net cash used by noncapital financing activities	(95,557)	(15,700)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	51,637	54,400
Proceeds from the sale of investments	70,000	64,000
Purchase of investments	(51,033)	(54,339)
Net cash provided by investing activities	70,604	64,061
Net increase in cash and cash equivalents	113,415	8,543
Cash and cash equivalents, beginning of year	16,345	7,802
Cash and cash equivalents, end of the year	\$ 129,760	\$ 16,345
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income or (loss)	\$ 582,187	\$ (56,994)
Adjustments to reconcile net income or 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	(2,369)	7,306
(Increase) in royalties receivable	(446,682)	-
Decrease in prepaid expense	434	2,883
Increase (decrease) in accounts payable	(1,201)	988
Net cash provided or (used) by operating activities	\$ 138,368	\$ (39,818)

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

STATEMENT OF CASH FLOWS, CONTINUED

Years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
NONCASH INVESTING TRANSACTIONS		
Change in fair value of investments	<u>\$ (17,960)</u>	<u>\$ (19,991)</u>

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nature of Operations

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

Financial Reporting Entity

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

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

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

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

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

Financial Statement Presentation

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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 Statement 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.

Reclassification

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

New Accounting Standard

In an effort to provide the public with better information about the risks that could potentially impact a government's ability to provide services and pay its debts, the Government Accounting Standards Board (GASB) has published statement No. 40, *Deposit and Investment Risk Disclosures*, which has been adopted by the Association for the years ended June 30, 2005 and 2004. The new accounting guidance requires that the Association communicate deposit and investment risks. Under GASB Statement No. 40, the Association is required to disclose information covering four principal areas: (1) investment credit risk disclosures, including credit quality information issued by credit ratings agencies, (2) interest rate disclosures that include investment maturity information, such as weighted average maturities or specific identification of securities, (3) interest rate sensitivity for investments that are highly sensitive to changes in interest rates, and (4) foreign exchange exposures that would indicate the foreign investment's denomination.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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 Directors 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 statement of revenues, expenses and changes in net assets investment income is netted with investment fees. Investment fees were \$5,777 and \$5,996 for the years ended June 30, 2005 and 2004, respectively.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Eastern Illinois University Alumni Association's investment guidelines establish an asset allocation of up to 85% for fixed income and cash equivalents. The fixed income portfolio should invest approximately 70% in corporate bonds. 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 duration ranges for investments disclosed are shown as follows:

June 30, 2005

Effective Duration	U.S. Notes	U.S. Agencies	Corporate Bonds	Total
0-1 year	\$ 65,605	\$ -	\$ -	\$ 65,605
1-5 years	-	104,038	454,609	558,647
5-10 years	-	100,219	-	100,219
10-15 years	-	123,064	-	123,064
Total	<u>\$ 65,605</u>	<u>\$ 327,321</u>	<u>\$ 454,609</u>	<u>\$ 847,535</u>

June 30, 2004

Effective Duration	U.S. Notes	U.S. Agencies	Corporate Bonds	Total
0-1 year	\$ -	\$ -	\$ 178,398	\$ 178,398
1-5 years	68,067	34,213	269,305	371,585
5-10 years	-	-	195,934	195,934
10-15 years	-	118,060	-	118,060
Total	<u>\$ 68,067</u>	<u>\$ 152,273</u>	<u>\$ 643,637</u>	<u>\$ 863,977</u>

Credit Risk

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Credit Risk - Continued

June 30, 2005

Quality Rating	Bond Mutual Funds	Money Market	U.S. Notes	U.S. Agencies	Corporate Bonds	Total
AAA	\$ -	\$ 150,239	\$ 65,605	\$ 327,321	\$ 51,574	\$ 594,739
AA	-	-	-	-	188,412	188,412
A	-	-	-	-	214,623	214,623
	<u>\$ -</u>	<u>\$ 150,239</u>	<u>\$ 65,605</u>	<u>\$ 327,321</u>	<u>\$ 454,609</u>	<u>\$ 997,774</u>

June 30, 2004

Quality Rating	Bond Mutual Funds	Money Market	U.S. Notes	U.S. Agencies	Corporate Bonds	Total
AAA	\$ 96,258	\$ 67,239	\$ 68,067	\$ 152,273	\$ 53,746	\$ 437,583
AA	-	-	-	-	191,186	191,186
A	-	-	-	-	398,705	398,705
	<u>\$ 96,258</u>	<u>\$ 67,239</u>	<u>\$ 68,067</u>	<u>\$ 152,273</u>	<u>\$ 643,637</u>	<u>\$ 1,027,474</u>

Custodial Credit Risk

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

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

Concentration Risk

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

June 30, 2005

Issuer	Maturity	Moody's Rating	Market Value
Bank of America	2/15/2010	AA3	\$ 85,780

June 30, 2004

Issuer	Maturity	Moody's Rating	Market Value
ABN AMRO	5/31/2005	A1	\$ 78,086
Bank of America	2/15/2010	AA3	\$ 86,189

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.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Reconciliation to the Statement of Net Assets

A reconciliation of cash and investments, as presented above, to amounts reported in the Association's Statement of Net Assets at June 30, 2005 and 2004, follows:

	2005	2004
The Illinois Funds money market accounts	\$ 129,760	\$ 16,345
Investments administered by First Mid-Illinois Bank & Trust		
Bond Mutual Funds	-	96,258
Money market mutual funds	150,239	67,239
Common Trust funds	144,766	151,993
Corporate bonds and notes	454,609	643,637
U.S. Government Notes	65,605	68,067
U.S. Government and U.S. Agency securities	327,321	152,273
Total cash and investments	<u>\$ 1,272,300</u>	<u>\$ 1,195,812</u>

3 ACCOUNTS RECEIVABLE

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

4 ROYALTIES RECEIVABLE

Royalties receivable consists of the following:

	2005	2004
Gross royalties receivable	\$ 670,000	\$ 100,000
Less: Unamortized discount	<u>(123,318)</u>	<u>-</u>
Net royalties receivable	546,682	100,000
Less, current portion of royalties receivable	<u>(113,529)</u>	<u>(100,000)</u>
Noncurrent royalties receivable	<u>\$ 433,153</u>	<u>\$ -</u>
Amounts due in:		
Less than one year	\$ 120,000	\$ 100,000
One to five years	550,000	-
	<u>\$ 670,000</u>	<u>\$ 100,000</u>

Royalties receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 6.25% for 2005.

A complete summary of royalties is presented in note 7.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

5 CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2005 and 2004 was as follows:

	Year ended June 30, 2005			6/30/2005
	6/30/2004	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	42,167	5,999	-	48,166
Equipment	6,748	-	-	6,748
Total accumulated depreciation	48,915	5,999	-	54,914
Total capital assets being depreciated, net	202,325	(5,999)	-	196,326
Total capital assets, net	<u>\$ 235,682</u>	<u>\$ (5,999)</u>	<u>\$ -</u>	<u>\$ 229,683</u>

Depreciation expense for the year ended June 30, 2005 was \$5,999

	Year ended June 30, 2004			6/30/2004
	6/30/2003	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	36,168	5,999	-	42,167
Equipment	6,748	-	-	6,748
Total accumulated depreciation	42,916	5,999	-	48,915
Total capital assets being depreciated, net	208,324	(5,999)	-	202,325
Total capital assets, net	<u>\$ 241,681</u>	<u>\$ (5,999)</u>	<u>\$ -</u>	<u>\$ 235,682</u>

Depreciation expense for the year ended June 30, 2004 was \$5,999.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

6 SIGNIFICANT TRANSACTIONS WITH THE PRIMARY GOVERNMENT

During the years ended June 30, 2005 and 2004, 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, 2005 and 2004, the University provided the Association with \$25,625 and \$25,240, respectively, in services in accordance with the contract.

In fulfilling its fiscal years 2005 and 2004 contracts with the University, the Association incurred \$212,253 and \$119,053, respectively, in expenses and \$25,625 and \$25,240, respectively, of in-kind expenses. Included in the fiscal years 2005 and 2004 expenses of \$212,253 and \$119,053, respectively, are unrestricted gifts/grants of \$90,557 and \$10,500, respectively, to the University. In addition, the Association provided the use of its facilities at no charge to the University. The value of these facilities was \$47,536 and \$47,373 for the years ended June 30, 2005 and 2004, respectively. These amounts are not reflected in the financial statements. Since fiscal year 1984, the Association has provided \$283,534 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 \$10,171 in 2005 and \$23,549 in 2004) are included in the amounts shown as budget allocation from the University and budget expended at the University in the Statement of Revenues, Expenses and Changes in Net Assets. These on-behalf payments decreased by approximately 57% from 2004 to 2005. This is the result of additional funding provided by the State (over the regular appropriation) to be applied against the unfunded liability during 2004.

7 ROYALTIES

During fiscal year 2005, the Association entered into a new agreement with a bank whereby the Association and the bank will market the bank's credit card services to members of the Association (plus other participants mutually agreed to by the Association and the bank) using the Association's name and logo. 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 totalling \$700,000 over seven years. Additionally, the Association is to receive annual sponsorship payments of \$10,000 over the same seven year period. These payments, totalling \$770,000 were recognized as revenue during fiscal year 2005, at the present value of estimated future cash flows, see note 4. The Association received \$100,000 on the new agreement in 2005. The Association also received \$100,000 as the final payment on the 1999 agreement. In fiscal year 1999, the Association entered into an agreement with the bank guaranteeing the Association \$1,200,000 in payments. The guaranteed payments of \$1,200,000 were recognized as revenue during fiscal year 1999. The Association considers the 2005 receivable to be fully collectible and no allowance for doubtful accounts is considered necessary at year-end. In addition, the Association entered into agreements with an insurance vendor and a tour operator vendor. The insurance vendor offers short-term

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

7 ROYALTIES - Continued

major medical insurance to new graduates and alumni. The Association will receive a royalty of 3% to 4% on policies issued. The tour operator offers Association members special tour travel packages. The Association receives royalties and one host trip after the tour has reached a minimum of twenty paid passengers. Royalties range from 5% of the revenue to \$75 to \$100 per paid passenger, depending on the program. The insurance program expires on August 16, 2007, and the travel program can be cancelled upon 30 days written notice. The Association received royalties from these agreements of \$3,758 and \$2,073 in 2005 and 2004, respectively. These amounts are included in the royalty income classification on the Statement of Revenues, Expenses, and Changes in Net Assets.

8 RISK MANAGEMENT

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

9 FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating expenses by functional classification for the years ended June 30, 2005 and 2004 are summarized as follows:

	June 30	
	2005	2004
Institutional Support	\$ 146,493	\$ 146,143
Depreciation	5,999	5,999
Total	<u>\$ 152,492</u>	<u>\$ 152,142</u>

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Years ended June 30, 2005 and 2004

Financial related information presented in this section of the audit includes the following:

- **Fiscal Schedules and Analysis**

- Comparative Schedule of Investments

- Analysis of Significant Statement of Net Asset Accounts

- Explanation of Significant Variations in Revenues, Expenses
and Other Changes in Net Assets

- **Analysis of Operations**

- Agency Functions and Planning Program

- Annual Cost Statistics

- Summary of Alumni Association Payments to the University

- Additional Required Information

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

COMPARATIVE SCHEDULE OF INVESTMENTS

Years ended June 30, 2005 and 2004

	2005	2004
Investments administered by First Mid-Illinois Bank & Trust		
Money market mutual funds	\$ 150,239	\$ 67,239
Bond mutual funds	-	96,258
U. S. Government and government agency securities (3.0% - 5.875%)	392,926	220,340
Corporate bonds and notes (4.25% - 7.8%)	454,609	643,637
Common trust fund	144,766	151,993
	\$ 1,142,540	\$ 1,179,467
Allocation		
Current assets, unrestricted investments	\$ 360,610	\$ 493,887
Noncurrent assets, unrestricted investments	781,930	685,580
	\$ 1,142,540	\$ 1,179,467

NOTE: The range of interest rates, as stated above, are for the current fiscal year.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

ANALYSIS OF SIGNIFICANT STATEMENT OF NET ASSET ACCOUNTS

Years ended June 30, 2005 and 2004

	2005	2004	Increase (Decrease)
Assets			
Current assets:			
Cash and cash equivalents	\$ 129,760	\$ 16,345 (1)	\$ 113,415
Investments	360,610	493,887 (2)	(133,277)
Accounts receivable	4,980	3,761	1,219
Interest receivable	11,160	14,035	(2,875)
Royalties receivable	113,529	100,000 (3)	13,529
Prepaid expense	14,491	14,925	(434)
Noncurrent assets:			
Accounts receivable	5,950	4,800	1,150
Royalties receivable	433,153	- (3)	433,153
Investments	781,930	685,580 (4)	96,350
Capital assets, net of accumulated depreciation	229,683	235,682	(5,999)
Liabilities			
Current liabilities:			
Accounts payable	5	1,206	(1,201)

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

ANALYSIS OF SIGNIFICANT STATEMENT OF NET ASSET ACCOUNTS - CONTINUED

Years ended June 30, 2005 and 2004

All increases/decreases greater than \$10,000 were determined to be significant.

- (1) The increase in cash and cash equivalents in 2005 is mainly the result of receipt of royalty payments received from the bank which the Association has a credit card service agreement with. A detailed breakdown of the change in cash is presented on the Statement of Cash Flows included in this report.
- (2) The decrease in current investments between 2005 and 2004 is attributable to the fact that several of the government and corporate bonds matured during 2005. The proceeds of these redemptions were used to purchase new bonds with maturity dates longer than one year. Additionally, \$70,000 was transferred out of the investment account and the fair market value of investments decreased in 2005.
- (3) The increase in both current and noncurrent royalties receivable in 2005 is because during 2005, the Association entered into a new agreement with a bank whereby the Association and the bank will market the bank's credit card services to members of the Association (plus other participants mutually agreed to by the Association and the bank) using the Association's name and logo.
- (4) The increase in noncurrent investments in 2005 is because several bonds held at June 30, 2004 matured during fiscal year 2005. The proceeds of the redemptions were used to purchase new bonds with maturity dates longer than one year.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

EXPLANATION OF SIGNIFICANT VARIATIONS IN REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS

Years ended June 30, 2005 and 2004

	2005	2004	Increase (Decrease)
Operating Revenues:			
Membership dues	46,015	41,710	4,305
Merchandise sales	-	430	(430)
Alumni Promotions	1,020	1,177	(157)
Royalties	650,440	2,073 (1)	648,367
Service contract with the University	25,625	25,240	385
Budget allocation with the University	10,171	23,549 (2)	(13,378)
Gifts	1,290	530	760
Other operating income	118	439	(321)
Operating Expenses:			
Personal services	4,050	2,401	1,649
Printing	23,490	18,281	5,209
Postage, telephone and supplies	21,005	10,320 (3)	10,685
Dues and subscriptions	1,562	554	1,008
Meeting and receptions	9,905	9,978	(73)
Professional fees	8,172	8,018	154
Promotional Activities	38,738	34,519	4,219
Insurance	3,263	3,272	(9)
Building expenditures	512	4,111	(3,599)
In-Kind expenses under contract with the University			
Personnel services	24,982	24,538	444
Rent, utilities and maintenance	643	702	(59)
Budget expended at the University	10,171	23,549 (2)	(13,378)
Bad debt expense	-	5,900	(5,900)
Depreciation expense	5,999	5,999	-
Nonoperating Revenue (Expenses):			
Investment Income:			
Interest and Dividends	48,762	52,376	(3,614)
Net increase in fair market value of investments	(17,960)	(19,991)	2,031
Scholarships	(5,000)	(5,200)	200
Gifts/grants to the University	(90,557)	(10,500) (4)	(80,057)

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

EXPLANATION OF SIGNIFICANT VARIATIONS IN REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS -
CONTINUED

Years ended June 30, 2005 and 2004

All increases/decreases greater than \$10,000 were determined to be significant.

- (1) The \$648,367 increase in royalties is because during 2005, the Association entered into a new agreement with a bank whereby the Association and the bank will market the bank's credit card services to members of the Association (plus other participants mutually agreed to by the Association and the bank) using the Association's name and logo. Under the agreement the Association will receive \$770,000 over seven years. The Association recognized the total revenue at the discounted present value in 2005.
- (2) 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 on-behalf payments decreased from 2004 to 2005 because in 2004 the State provided additional funding (over the regular appropriation) to be applied against the unfunded liability. This did not occur in 2005.
- (3) The increase in postage, telephone and supplies in 2005 over 2004 is all related to postage. During 2005, the Association incurred a large postage expense for mailing the spring addition of the "Old Main Line" alumni magazine to all alumni of the University. The postage for this one mailing was \$10,596.
- (4) The increase in the amount of gifts and grants to the University in 2005 is because the Association financed the cost of a new clock tower installed in the south lawn of Booth Library. The clock was purchased by the Association in celebration of its centennial and gifted to the University.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

AGENCY FUNCTIONS AND PLANNING PROGRAM

Years ended June 30, 2005 and 2004

Eastern Illinois University Alumni Association, Inc. is located in Brainard House on the campus of Eastern Illinois University, Charleston, Illinois. The Executive Director of the Association is Mr. Steven Rich.

The Association was incorporated under the laws of the State of Illinois as a not-for-profit organization. The primary purpose of the Association is to operate exclusively for educational and charitable purposes as an organization dedicated to advancing the interest of and promoting the University. The Association was established 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. The Association also maintains records and collects statistics concerning alumni and publishes periodicals to be distributed to the alumni for the purpose of disseminating information about the University and its alumni. The Association exists solely to promote the interests and welfare of the University.

It is the intention of the Association's management and Board of Directors that its continuing long-term goals are as set forth in its incorporation documents. The Association has certain on-going programs to support the University. The Association may also periodically engage in certain short-term, non-recurring projects and also adopt specific strategies to achieve these goals.

Auditor's Assessment of Planning Program

The planning program described above appears reasonable for Eastern Illinois University Alumni Association, Inc. for the years ended June 30, 2005 and 2004.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

ANNUAL COST STATISTICS

Years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Total operating expenses	\$ 152,492	\$ 152,142
Average noncomplimentary members	1,435	1,404
Total operating expenses/average of noncomplimentary members	\$ 106	\$ 108

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

ADDITIONAL INFORMATION

Years ended June 30, 2005 and 2004

SUMMARY OF ALUMNI ASSOCIATION PAYMENTS TO THE UNIVERSITY

During the years ended June 30, 2005 and 2004, the Association provided office space to the University with an annual fair market value of \$47,536 and \$47,373, respectively.

Additionally, during the years ended June 30, 2005 and 2004, the Association provided unrestricted gifts/grants to the University in the amounts of \$90,557 and \$10,500, respectively.

ADDITIONAL REQUIRED INFORMATION

Local Funds

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

Employee Statistics

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

Service Efforts and Accomplishments

Funds provided to the University for each of the years ended June 30, 2005 and 2004, are presented on page 30 of this report.