

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
FOUNDATION

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
FOUNDATION

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Table of Contents | 1 |
| Foundation Officials | 2 |
| Management Assertion Letter | 3 |
| Compliance Report | |
| Summary | 5 |
| Auditor's Reports | |
| Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes | 7 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 9 |
| Schedule of Findings and Questioned Costs | |
| Prior Findings Not Repeated - <i>Government Auditing Standards</i> | 11 |
| Prior Findings Not Repeated - State | 11 |
| Financial Statement Report | |
| Summary | 12 |
| Independent Auditor's Report | 13 |
| Management's Discussion and Analysis | 14 |
| Financial Statements | |
| Statement of Net Assets | 23 |
| Statement of Revenues, Expenses and Changes in Net Assets | 24 |
| Statement of Cash Flows | 25 |
| Notes to the Financial Statements | 27 |
| Supplementary Information for State Compliance Purposes | |
| Summary | 38 |
| Supplementary Information | |
| <u>Fiscal Schedules and Analysis</u> | |
| Comparative Schedule of Investments | 39 |
| Analysis of Significant Statement of Net Assets Accounts | 40 |
| Analysis of Significant Variations in Revenues, Expenses and Other Changes in Net Assets | 42 |
| <u>Analysis of Operations</u> | |
| Agency Functions and Planning Program | 44 |
| Annual Cost Statistics (Unaudited) | 45 |
| Summary of Foundation Payments to the University | 46 |
| Additional Required Information | 47 |

OTHER RELATED REPORTS (UNDER SEPARATE COVER)

Eastern Illinois University Alumni Association, Inc.
 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
 Compliance Examination for the year ended June 30, 2005

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

FOUNDATION OFFICIALS

June 30, 2005

The Foundation Board of Directors includes:

Mrs. Sara Jane Preston, President
Mr. John Luther, Vice President (through May 26, 2005)
Mr. Steve Childers, Treasurer
Dr. Barbara Hill, Secretary
Dr. Herbert Lasky
Dr. Shirley Moore
Mr. J. W. Oglesby
Mr. George Paulik
Mr. Jeffrey G. Scott

Ex-Officio Members:

| | |
|----------------------------|---|
| Ms. Julie I. Nimmons | EIU Board of Trustees |
| Mr. Louis V. Hencken | EIU President |
| Mr. Jeffrey L. Cooley, CPA | EIU Vice President for Business Affairs |
| Dr. Jill F. Nilsen | EIU Vice President for External Relations |
| Mr. Todd Hamerlinck | EIU Alumni Association |

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

| | |
|-------------------------|--------------------------------|
| Ms. Patrice A. Stratton | Foundation Executive Officer |
| Ms. April Marchuk | Assistant Executive Officer |
| | Foundation Assistant Secretary |
| Mr. Rick Edwards, CPA | EIU Assistant Comptroller |
| | Foundation Assistant Treasurer |
| Ms. Tami Babbs | EIU Accountant III |

The Foundation office is located at:

Neal Welcome Center
860 West Lincoln Avenue
Charleston, IL 61920



*Neal Welcome Center
Corner of Lincoln & Douglas*

November 4, 2005

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

Gentlemen:

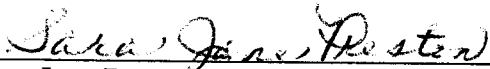
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts and grants that could have a material effect on the operations of the Eastern Illinois University Foundation (Foundation). We are responsible for and have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Foundation'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 Foundation materially complied with the assertions below:

- A. The Foundation 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 Foundation 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 Foundation 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 Foundation 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 Foundation or held in trust by the Foundation 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 Foundation



Sara Jane Preston
President



Steve Childers
Treasurer



Patrice A. Stratton
Executive Officer

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

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

| Number of | This Audit | Prior Audit |
|---|------------|-------------|
| Findings | - | 2 |
| Repeated findings | - | - |
| Prior recommendations implemented or not repeated | 2 | - |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

| Item No. | Page | Description |
|--|------|--|
| <i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i> | | |
| None noted. | | |
| <i>FINDINGS (STATE)</i> | | |
| None noted. | | |
| <i>PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)</i> | | |
| 05-01 | 11 | Unitrust Reporting |
| <i>PRIOR FINDINGS NOT REPEATED (STATE)</i> | | |
| 05-02 | 11 | Inadequate Controls Over Fundraising Efforts |

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

COMPLIANCE REPORT SUMMARY - CONTINUED

For the two years ended June 30, 2005

EXIT CONFERENCE

The results of the examination were discussed with Foundation personnel at an exit conference on December 16, 2005. Attending were:

Eastern Illinois University

Jeffrey L. Cooley, CPA, Vice President of Business Affairs
Monty Bennett, Director of Purchasing
Larry Cannon, Director of Accounting and Finance
Carol Morgan, Assistant Comptroller
Rick Edwards, Assistant Comptroller
Mihir K. Chatterji, Assistant Vice President for Information Technology Systems
Kathleen Moreno, Director of Internal Auditing
Keith Kohanzo, Director of Judicial Affairs
Kelly Miller, Assistant Director of Housing
Patrice A. Stratton, Foundation Executive Officer

Auditor General

Thomas L. Kizziah, CPA, Audit Manager
Joseph A. Gudgel, Information Systems Audit Manager

Doehring, Winders & Co. LLP

Robert E. Arnholt, CPA, Partner
Jeffery M. Spracklen, CPA, Manager
Sarah E. Gracey, CPA, Manager

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 Foundation's, a component unit of the State of Illinois and Eastern Illinois University, (the Foundation), 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 Foundation is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

- A. The Foundation 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 Foundation 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 Foundation 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 Foundation 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 Foundation 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 Foundation'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 Foundation's compliance with specified requirements.

In our opinion, the Foundation 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 Foundation 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 Foundation'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 Foundation, a component unit of the State of Illinois and Eastern Illinois University, (the Foundation) as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated November 4, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Foundation. The 2005 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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 Foundation's basic financial statements for the year ended June 30, 2004. In our reports dated November 5, 2004, we expressed unqualified opinions on the respective basic financial statements. In our opinion, the 2004 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited", 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 Foundation management, and is not intended to be and should not be used by anyone other than these specified parties.

Doehring, Winders & Co. LLP

November 4, 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 as listed in the table of contents of Eastern Illinois University Foundation, a component unit of the State of Illinois and Eastern Illinois University, (the Foundation) as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated November 4, 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 Foundation'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 also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the Foundation in a separate letter dated November 4, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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 that are required to be reported under *Government Auditing Standards*. We also noted certain other matters which we have reported to management of the Foundation in a separate letter dated November 4, 2005.

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

Doehring, Winders & Co. LLP

November 4, 2005

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

PRIOR FINDINGS NOT REPEATED

Two years ended June 30, 2005

Prior Findings Not Repeated - *Government Auditing Standards*

05-01 In the prior compliance audit, the Foundation did not properly account for some of its unitrust transactions. During our testing, it was noted that the Foundation was properly recording its unitrust transactions; therefore, this finding is not repeated. (Finding Code 03-1)

Prior Findings Not Repeated - State

05-02 In the prior compliance audit, the Foundation did not maintain proper control over the fundraising efforts initiated by the University Athletics Department. It was noted during our testing that these issues were resolved; therefore, this finding is not repeated. (Finding Code 03-2)

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

FINANCIAL STATEMENT REPORT SUMMARY

June 30, 2005 and 2004

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

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

DOEHRING, WINDERS & CO. LLP

Certified Public Accountants

& Business Advisers

1601 LAFAYETTE AVENUE

MATTOON, ILLINOIS 61988

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 Eastern Illinois University Foundation, a component unit of the State of Illinois and Eastern Illinois University, (the Foundation) as of and for the years ended June 30, 2005 and 2004. These financial statements are the responsibility of the Foundation'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 Foundation 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 November 4, 2005, on our consideration of the Foundation'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 read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 14-22 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

November 4, 2005

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Illinois University Foundation (the Foundation) annual financial report presents management's discussion and analysis of the financial performance of the Foundation during the fiscal years ended June 30, 2005 and 2004. 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 Foundation management.

Reporting Entity

The Eastern Illinois University Foundation is a non-profit corporation and is considered to be a component unit of the State of Illinois and Eastern Illinois University (the 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 Foundation is included in the University's financial statements as a discrete component unit.

The Eastern Illinois University Foundation was incorporated in 1953, under the laws of the State of Illinois, as a not-for-profit organization. The Foundation is to assist and support the University's educational and cultural mission through encouraging philanthropic gifts of money, property, works of art, and other materials having educational, artistic, or historical value. These gifts are to be administered with the primary objective of serving purposes other than those for which the State of Illinois ordinarily makes sufficient appropriations. Transactions with the University of cash, services and resources, unrestricted or restricted only as to department, were generally for on-going operations 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 Foundation, the results of operations and cash flows of the Foundation as a whole.

As prescribed by GASB Statement No. 35, this annual report includes three financial statements: the Statement of Net Assets, the 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.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Using the Annual Report, continued

The Statement of Net Assets reflects the assets and liabilities of the Foundation using the accrual basis of accounting and presents the financial position of the Foundation 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 Foundation. The increase or decrease in net assets that occurs over time indicates the improvement or erosion of the Foundation's financial condition.

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 this reporting model, gifts to the Foundation are considered operating revenues, while investment income is considered nonoperating revenue. Additionally, payments for scholarships, distributions to beneficiaries and grants to the University are treated as nonoperating expenses.

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

Financial Highlights

The Foundation's financial position improved during the fiscal year ended June 30, 2005. Total net assets increased approximately \$4.0 million (12.7%) over June 30, 2004. This is attributable to various factors. The fair value of investments increased by approximately \$1.7 million; the Foundation received approximately \$2.5 million in additional permanent endowments; and gifts and other operating revenue exceeded operating expenses by \$660,921 during fiscal year 2005. Additionally, other nonoperating revenues exceeded nonoperating expenses by \$830,755.

The increase in the change in net assets between fiscal years 2005 and 2004 was approximately \$2.5 million. The main reasons for this increase was the approximate \$2.2 million increase in additions to permanent endowments in 2005 from 2004, a \$2.3 million decrease in the net increase in fair value of investments in 2005, compared to 2004 and the \$2.4 million decrease in grants to University between 2005 and 2004.

The Foundation's financial position improved during the fiscal year ended June 30, 2004. Total net assets increased approximately \$1.5 million (4.9%) over June 30, 2003. This is attributable to various factors. The fair value of investments increased by approximately \$4.0 million; the Foundation received \$320,003 in additional permanent endowments; and gifts and other operating revenue exceeded operating expenses by \$873,615 during fiscal year 2004. However, approximately \$3.4 million was transferred as grants to the University and other nonoperating revenues exceeded nonoperating expenses by \$290,891.

The decrease in the change in net assets between fiscal years 2004 and 2003 was approximately \$1.1 million. The main reason for this decrease was the transfer of approximately \$2.0 million, from the Foundation to the University, which was funds donated to finance the Tarble Arts Center renovation.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Comparative Financial Information

Condensed Statement of Net Assets, June 30:

| | 2005 | 2004 | 2003 |
|--|---------------|---------------|---------------|
| ASSETS | | | |
| Current assets | \$ 3,626,201 | \$ 3,856,494 | \$ 6,569,367 |
| Noncurrent assets: | | | |
| Capital assets, net of accumulated depreciation | 2,043,645 | 2,054,226 | 2,028,989 |
| Other | 39,398,789 | 34,823,225 | 29,776,228 |
| Total noncurrent assets | 41,442,434 | 36,877,451 | 31,805,217 |
| Total assets | \$ 45,068,635 | \$ 40,733,945 | \$ 38,374,584 |
| LIABILITIES | | | |
| Current liabilities | \$ 1,908,307 | \$ 1,831,709 | \$ 1,754,733 |
| Noncurrent liabilities | 7,504,097 | 7,233,176 | 6,435,300 |
| Total liabilities | 9,412,404 | 9,064,885 | 8,190,033 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 531,407 | 559,871 | 587,781 |
| Restricted for: | | | |
| Nonexpendable endowment | 18,462,348 | 15,707,490 | 15,177,160 |
| Expendable | 16,284,821 | 15,031,606 | 14,068,086 |
| Unrestricted | 377,655 | 370,093 | 351,524 |
| Total net assets | 35,656,231 | 31,669,060 | 30,184,551 |
| Total liabilities and net assets | \$ 45,068,635 | \$ 40,733,945 | \$ 38,374,584 |

At June 30, 2005, total current assets of approximately \$3.6 million included approximately \$1.7 million of investments. For June 30, 2004, total current assets of approximately \$3.9 million included approximately \$1.7 million of investments. There was no material change in total current assets between 2005 and 2004. The approximate \$2.7 million decrease in total current assets between 2004 and 2003 is the result of approximately \$3.4 million of assets being transferred from the Foundation to the University as grants.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

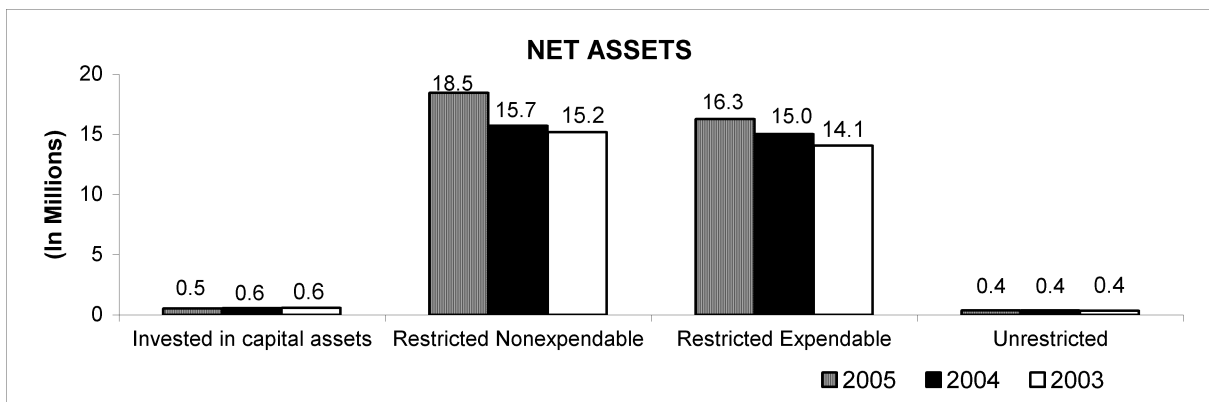
Condensed Financial Information, continued

The Foundation's largest noncurrent assets for June 30, 2005 are its endowment investments of approximately \$18.4 million and restricted long-term investments of approximately \$20.8 million. For June 30, 2004 the Foundation's largest noncurrent assets were its endowment investments of approximately \$15.5 million and restricted long-term investments of approximately \$19.0 million. The approximate \$4.7 million increase in noncurrent investments can be attributed to new gifts (including approximately \$2.5 million new endowment gifts) and the increase in fair value of investments of approximately \$1.7 million.

The Foundation's liabilities at June 30, 2005 and 2004, total approximately \$9.4 million and \$9.1 million, respectively. Of these balances, approximately \$7.9 million for June 30, 2005 and approximately \$7.6 million for June 30, 2004 is the actuarial value of estimated future payments to beneficiaries of annuities and unitrusts plus the assets held by the Foundation as trustee. Liabilities also consists of approximately \$1.5 million of a demand mortgage note payable for each fiscal year.

The Foundation's current assets of approximately \$3.6 million and \$3.9 million for June 30, 2005 and 2004, respectively, were sufficient to cover current liabilities of approximately \$1.9 million and \$1.8 million for fiscal years 2005 and 2004, respectively. The current ratio of current assets to current liabilities is \$1.90 and \$2.17 in current assets for every \$1 in current liabilities for fiscal years 2005 and 2004, respectively.

The Foundation's total net assets at June 30, 2005 totaled approximately \$35.7 million, a \$4.0 million increase over total net assets of \$31.7 million at June 30, 2004. Net assets classified as "invested in capital assets, net of related debt" remained approximately the same for 2005 and 2004. Net assets classified as "restricted, nonexpendable endowment" increased by approximately \$2.8 million from 2004 to 2005 and \$537 thousand from 2003 to 2004 due mainly to new endowment gifts and the increase in fair value. Net assets classified as "restricted, expendable" increased by approximately \$1.3 million from 2004 to 2005, the result of increases in fair value of investments, new gifts, less the grants to the University. These same net assets increased by approximately \$1.0 million from 2003 to 2004, the result of improved financial market conditions. The following graph shows net assets by classification and restriction:



EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

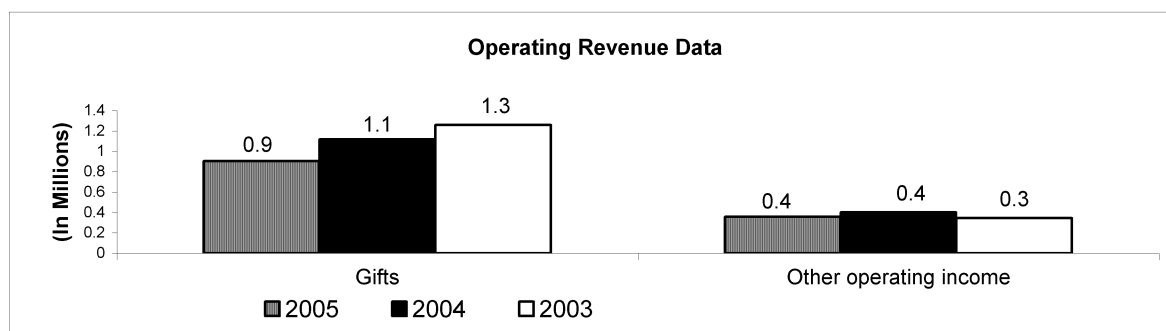
Condensed Financial Information, continued

Condensed Statement of Revenues, Expenses and Changes in Net Assets

| | For the years ended June 30, | | |
|---|------------------------------|---------------|---------------|
| | 2005 | 2004 | 2003 |
| Operating revenues | | | |
| Gifts | \$ 903,941 | \$ 1,116,838 | \$ 1,259,018 |
| Other operating revenues | 359,385 | 402,546 | 343,929 |
| Total operating revenues | 1,263,326 | 1,519,384 | 1,602,947 |
| Operating expenses | 602,405 | 645,769 | 654,381 |
| Operating income | 660,921 | 873,615 | 948,566 |
| Nonoperating revenues (expenses) | | | |
| Investment income and net increase (decrease) in fair value of investments | 2,745,148 | 4,683,976 | 2,086,361 |
| Scholarships | (523,678) | (534,567) | (552,233) |
| Grants to University | (1,022,676) | (3,396,304) | (382,830) |
| Other nonoperating revenues and expenses | (368,039) | (462,214) | (487,787) |
| Net nonoperating revenues (expenses) | 830,755 | 290,891 | 663,511 |
| Income before capital contributions | 1,491,676 | 1,164,506 | 1,612,077 |
| Additions to permanent endowments | 2,495,495 | 320,003 | 945,579 |
| Total increase in net assets | 3,987,171 | 1,484,509 | 2,557,656 |
| Net assets-beginning of year | 31,669,060 | 30,184,551 | 27,626,895 |
| Net assets - end of year | \$ 35,656,231 | \$ 31,669,060 | \$ 30,184,551 |

Operating Revenues

Total operating revenues were \$1.3 million and \$1.5 million for the years ended June 30, 2005 and 2004, respectively. The most significant source of revenue for the Foundation is gifts of \$0.9 million for fiscal year 2005 and \$1.1 million for fiscal year 2004, as shown below:



EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

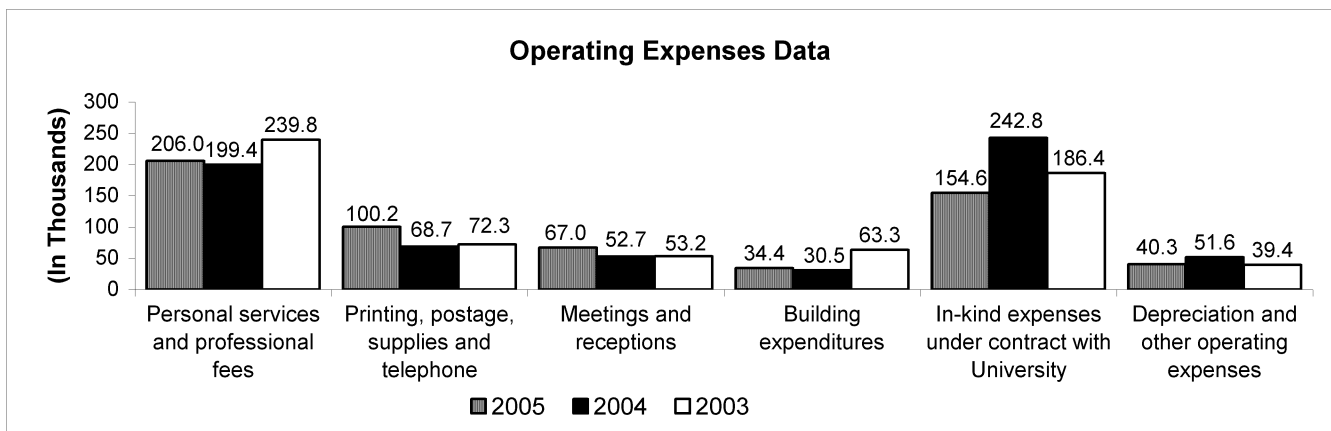
Gifts

The Foundation receives gifts from many sources and for many purposes. There are gifts from telefund drives which are usually used by the University for current operations and scholarships; gifts for various projects such as the Neal Welcome Center, Tarble Arts Center renovation and the Commemorative Courtyard; and planned (deferred) giving gifts by donors used in estate planning. Gifts of permanent endowments for scholarships or to support programs and departments are shown after the nonoperating section of the statement.

During fiscal year 2005, there was a total of \$895,911 unrestricted and restricted gifts, \$40,000 of deferred gifts with related liabilities of \$31,970 (net deferred gifts of \$8,030), and approximately \$2.5 million of additions to permanent endowments. For fiscal year 2004, there was a total of \$813,199 unrestricted and restricted gifts, \$680,370 of deferred gifts with related liabilities of \$376,731 (net deferred gifts of \$303,639), and \$320,003 of additions to permanent endowments.

Operating Expenses

Operating expenses for fiscal year 2005, including depreciation of \$28,464, totaled \$602,405. Of this total, \$205,994 or 34% was for personal services and professional fees, and \$154,559 or 26% was in-kind expenses under contract with the University. The in-kind expenses show a 36% decrease in 2005 over 2004 because the State of Illinois provided additional funding in 2004 to apply against the unfunded liability in the State Universities Retirement System. For fiscal year 2004, operating expenses, including depreciation of \$27,910, totaled \$645,769. Of this total, \$199,436 or 31% was for personal services and professional fees, and \$242,761 or 38% was in-kind expenses under contract with the University. The in-kind expenses show a 30% increase in 2004 over 2003 because the State of Illinois provided additional funding in 2004 to apply against the unfunded liability in the State Universities Retirement System. The breakdown by expense is highlighted below:



EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Other

Nonoperating revenues (expenses) for fiscal year 2005 consisted of investment income, scholarships to students and grants to the University. Investments showed an increase in the fair value investments of approximately \$1.7 million; this, when added to interest and dividends income of approximately \$1.0 million, resulted in total nonoperating revenues of approximately \$2.7 million. During fiscal year 2005, the Foundation awarded 592 scholarships totaling \$523,678 and made grants to the University of approximately \$1.0 million. As noted previously, there was approximately \$2.5 million of additions to permanent endowments.

Nonoperating revenues (expenses) for fiscal year 2004 consisted of investment income, scholarships to students and grants to the University. The continuing recovery in the financial markets created an increase in the fair value investments of approximately \$4 million; this, when added to interest and dividends income of \$696,873, resulted in total nonoperating revenues of approximately \$4.7 million. During fiscal year 2004, the Foundation awarded 613 scholarships totaling \$534,567 and made grants to the University of approximately \$3.4 million (\$2.1 million was for the Tarble Arts Center renovation). As noted previously, there was \$320,003 of additions to permanent endowments.

The Statement of Cash Flows

Condensed Statement of Cash Flows

| | For the years ended June 30 | | |
|---|-----------------------------|---------------------|---------------------|
| | 2005 | 2004 | 2003 |
| Cash provided (used) by: | | | |
| Operating activities | \$ 734,762 | \$ 1,193,192 | \$ 877,578 |
| Noncapital financing activities | 483,359 | (3,896,659) | (1,027,190) |
| Capital and related financing activities | (90,355) | (77,351) | (419,461) |
| Investing activities | (1,480,175) | 1,544,890 | 735,309 |
| Net increase (decrease) in cash and cash equivalents | (352,409) | (1,235,928) | 166,236 |
| Cash and cash equivalents, July 1 | 2,147,293 | 3,383,221 | 3,216,985 |
| Cash and cash equivalents, June 30 | <u>\$ 1,794,884</u> | <u>\$ 2,147,293</u> | <u>\$ 3,383,221</u> |

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The Statement of Cash Flows, continued

For fiscal year 2005, the major source of funds included in operating activities is cash gifts of \$880,670. The major use of funds included in noncapital financing activities are grants to the University of \$1,022,676, a decrease of approximately \$2.4 million from fiscal year 2004 is due to the transfer of approximately \$2.0 million for the Tarble Arts renovation in 2004 and other timing differences in transfer requests by University departments. Other major uses of funds are scholarships of \$522,936 and distributions to deferred giving beneficiaries of \$324,658. The net uses of capital and related financing activities of \$90,355 is payment of interest on the Neal Welcome Center mortgage note, a increase over fiscal year 2004 due to an increase in the interest rate charged on the loan. The major source of funds included in investing activities are the proceeds from investment income of \$1.1 million, a increase from fiscal year 2004 because of improved returns on investments, and the proceeds from the sale of investments of \$339,324, a decrease of approximately \$1.4 million because of the 2004 transfer of the Tarble Arts money. The major use of funds included in investing activities in 2005 is the purchase of investments of approximately 3.0 million, an increase of \$1.7 million from 2004 due to new gifts including approximately \$2.5 million new endowment gifts.

For fiscal year 2004, the major source of funds included in operating activities is cash gifts of \$1,539,312. The major use of funds included in noncapital financing activities are grants to the University of \$3,396,304, a increase of approximately \$3 million from fiscal year 2003 due to the transfer of approximately \$2.1 million for the Tarble Arts renovation and timing differences in transfer requests by University departments. Other major uses of funds are scholarships of \$535,309 and distributions to deferred giving beneficiaries of \$351,708, which decreased over fiscal year 2003 due to the redemption of a unitrust for \$325,476 in 2003. The net uses of capital and related financing activities of \$77,351 is payment of interest on the Neal Welcome Center mortgage note, a decrease over fiscal year 2003 due to the Foundation having paid \$325,476 on the mortgage principal when a unitrust was redeemed. The major source of funds included in investing activities are the proceeds from the sale of investments of \$1,769,638, mainly to fund the transfer of Tarble Arts money. Investment income for 2004 was \$711,126, a decrease from fiscal year 2003 because of lower interest rates paid on investments.

The Foundation's Economic Outlook

The Foundation's operations are supported by a variety of revenue sources, including the contract with the University, a trust distribution, administrative fees generated from investments, and earnings from endowment funds donated specifically for Foundation operations. For fiscal year 2005, the Board rescinded a long-term practice of assessing a 3% fee on the year-end balances of annual funds and certain unrestricted funds. The new schedule assessing 0.75% one time on all incoming gifts, and annually on all long-term invested accounts, now provides a fair, equitable and uniform fee structure. Because it is based on the prior December 31 fair market value, fees are generally known at the start of the fiscal year, rather than at the end, providing a more stable projection of revenues.

The Foundation completed its third year in the Welcome Center and is still realizing new operations and maintenance needs, thereby adding to the everyday costs that are required to support the building and grounds. The Board reevaluated how it allocates and where it spends the limited resources reserved for its operations,

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The Foundation's Economic Outlook, continued

making several adjustments for fiscal year 2006. Over the long term, additional operating revenues, and payment of the building loan will be necessary to adequately support the operations of the Foundation and the Neal Welcome Center.

Note--The Eastern Illinois University Foundation 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 Foundation is not legally required to adopt a budget.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

STATEMENT OF NET ASSETS

June 30, 2005 and 2004

| | 2005 | 2004 |
|---|---------------|---------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 366,673 | \$ 288,568 |
| Restricted cash and cash equivalents | 1,411,068 | 1,687,349 |
| Restricted investments | 1,725,155 | 1,702,952 |
| Other current investments | - | 9,900 |
| Pledges receivable | 92,164 | 48,250 |
| Accounts receivable | 793 | 70,666 |
| Grain inventory | 9,600 | 34,734 |
| Prepaid expenses | 20,748 | 14,075 |
| Total current assets | 3,626,201 | 3,856,494 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | 17,143 | 171,376 |
| Endowment investments | 18,445,205 | 15,536,114 |
| Restricted investments | 20,841,601 | 19,005,946 |
| Pledges receivable, less current portion | 94,840 | 109,789 |
| Capital assets, net of accumulated depreciation | 2,043,645 | 2,054,226 |
| Total noncurrent assets | 41,442,434 | 36,877,451 |
| Total assets | \$ 45,068,635 | \$ 40,733,945 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 13,552 | \$ 10,549 |
| Accrued interest | - | 4,299 |
| Annuities payable, current portion | 382,517 | 322,505 |
| Demand mortgage payable | 1,512,238 | 1,494,356 |
| Total current liabilities | 1,908,307 | 1,831,709 |
| Noncurrent liabilities: | | |
| Annuities payable, less current portion | 2,310,588 | 2,327,123 |
| Due to others | 5,193,509 | 4,906,053 |
| Total noncurrent liabilities | 7,504,097 | 7,233,176 |
| Total liabilities | 9,412,404 | 9,064,885 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 531,407 | 559,871 |
| Restricted for: | | |
| Nonexpendable endowment | 18,462,348 | 15,707,490 |
| Expendable | 16,284,821 | 15,031,606 |
| Unrestricted | 377,655 | 370,093 |
| Total net assets | 35,656,231 | 31,669,060 |
| Total liabilities and net assets | \$ 45,068,635 | \$ 40,733,945 |

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended June 30, 2005 and 2004

| | 2005 | 2004 |
|---|---------------|---------------|
| OPERATING REVENUES | | |
| Gifts | \$ 903,941 | \$ 1,116,838 |
| Service contract with University | 183,683 | 177,130 |
| Budget allocation from University | 49,501 | 144,355 |
| Other operating income | 126,201 | 81,061 |
| Total operating revenues | 1,263,326 | 1,519,384 |
| OPERATING EXPENSES | | |
| Personal services | 110,989 | 84,225 |
| Printing | 18,629 | 24,288 |
| Postage and supplies | 54,279 | 30,835 |
| Telephone | 27,273 | 13,593 |
| Dues, subscriptions and promotion | 3,542 | 7,854 |
| Meetings and receptions | 66,956 | 52,736 |
| Professional fees | 95,005 | 115,211 |
| Computer maintenance | 2,400 | 3,245 |
| Insurance | 5,895 | 12,607 |
| Building expenditures | 34,414 | 30,504 |
| Depreciation | 28,464 | 27,910 |
| In-kind expenses under contract with the University | | |
| Personnel expenses | 102,828 | 96,196 |
| Utilities and maintenance | 2,230 | 2,210 |
| Budget expended at the University | 49,501 | 144,355 |
| Total operating expenses | 602,405 | 645,769 |
| Operating income | 660,921 | 873,615 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income: | | |
| Interest and dividends | 1,024,316 | 696,873 |
| Net increase in fair value of investments | 1,720,832 | 3,987,103 |
| Scholarships | (523,678) | (534,567) |
| Distributions to annuity/unitrust beneficiaries | (251,486) | (338,259) |
| Actuarial adjustments | (28,651) | (40,977) |
| Interest on capital asset-related debt | (83,363) | (77,560) |
| Grants to University | (1,022,676) | (3,396,304) |
| Other | (4,539) | (5,418) |
| Net nonoperating revenues | 830,755 | 290,891 |
| Income before capital contributions | 1,491,676 | 1,164,506 |
| Additions to permanent endowments | 2,495,495 | 320,003 |
| Increase in net assets | 3,987,171 | 1,484,509 |
| NET ASSETS | | |
| Net assets - beginning of year | 31,669,060 | 30,184,551 |
| Net assets - end of year | \$ 35,656,231 | \$ 31,669,060 |

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

STATEMENT OF CASH FLOWS

Years ended June 30, 2005 and 2004

| | 2005 | 2004 |
|---|--------------|--------------|
| Cash flows from operating activities | | |
| Cash received from gifts | \$ 880,670 | \$ 1,539,312 |
| Cash received from service contract with University | 148,250 | - |
| Cash received from other sources | 126,201 | 81,061 |
| Cash paid to suppliers and other vendors | (420,359) | (427,181) |
| Net cash provided by operating activities | 734,762 | 1,193,192 |
| Cash flows from noncapital financing activities | | |
| Grants to the University | (1,022,676) | (3,396,304) |
| Grants to organizations | (4,906) | (5,418) |
| Scholarships | (522,936) | (535,309) |
| Distributions to annuity/unitrust beneficiaries | (324,658) | (351,708) |
| Agency receipts | 138,024 | 779,371 |
| Agency payments | (176,014) | (669,697) |
| Gifts received for endowment purposes | 2,396,525 | 282,406 |
| Net cash provided (used) by noncapital financing activities | 483,359 | (3,896,659) |
| Cash flows from capital and related financing activities | | |
| Purchases of capital assets | (17,883) | (68,775) |
| Interest paid | (90,355) | (77,351) |
| Proceeds of mortgage loan | 17,883 | 68,775 |
| Net cash (used) by capital and related financing activities | (90,355) | (77,351) |
| Cash flows from investing activities | | |
| Proceeds from the sale of investments | 339,324 | 1,769,638 |
| Investment income (net of fees) | 1,100,044 | 711,126 |
| Sale of gift stock and real estate | 123,080 | 357,346 |
| Purchase of investments | (3,042,623) | (1,293,220) |
| Net cash provided (used) by investing activities | (1,480,175) | 1,544,890 |
| Net (decrease) in cash and cash equivalents | (352,409) | (1,235,928) |
| Cash and cash equivalents, July 1 | 2,147,293 | 3,383,221 |
| Cash and cash equivalents, June 30 | \$ 1,794,884 | \$ 2,147,293 |
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 660,921 | \$ 873,615 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Non-cash stock, real estate gifts | (26,149) | (45,124) |
| Depreciation expense | 28,464 | 27,910 |
| Actuarial adjustment of new annuities and unitrusts | 31,970 | 376,731 |
| Change in assets and liabilities: | | |
| Accounts receivable | 40,533 | 21,242 |
| Prepaid expense | (3,980) | 3,004 |
| Accounts payable | 3,003 | (64,186) |
| Net cash provided by operating activities | \$ 734,762 | \$ 1,193,192 |

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

STATEMENT OF CASH FLOWS, CONTINUED

Years ended June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|---------------------|
| Noncash investing, noncapital financing, and capital and related financing transactions | | |
| Change in fair value of investments | <u>\$ 1,719,812</u> | <u>\$ 3,985,557</u> |
| Change in accrued interest affecting interest paid | <u>\$ (4,299)</u> | <u>\$ 209</u> |
| Change in accrued costs relating to capital assets | <u>\$ -</u> | <u>\$ (15,628)</u> |

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE 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

Eastern Illinois University Foundation (the Foundation), located in Charleston, Illinois, was incorporated under the laws of the State of Illinois as a not-for-profit organization. The primary function of the Foundation is to assist in developing and increasing the facilities of Eastern Illinois University for broader educational opportunities for its students, alumni, and citizens of the State of Illinois by encouraging gifts of money, property, works of art, and other materials having educational, artistic, or historical value. These gifts are to be administered with the primary objective of serving purposes other than those for which the State of Illinois ordinarily makes sufficient appropriations.

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Statement Presentation

The Foundation has adopted the provisions of Governmental Accounting Standards Board (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 - 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 Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statements of the Foundation have been prepared in conformance with these statements.

Basis of Accounting

For financial reporting purposes, the Foundation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Foundation'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 Foundation has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Foundation has elected to not apply FASB pronouncements issued after the applicable date.

Cash Equivalents

For purposes of the statements of cash flows, the Foundation 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 Foundation 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.

Restricted Assets

Restricted assets consist of cash and investments that are externally restricted by outside sources. Restricted assets are classified as either current or noncurrent assets in the Statement of Net Assets depending upon when the assets become available for use.

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. The Foundation's capitalization threshold for capital assets is as follows: equipment \$5,000 or greater, land \$100,000 or greater, buildings \$100,000 or greater and building improvements \$25,000 or greater. Renovations to buildings and equipment that significantly increase the value or extend the useful life of the asset

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - continued

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 building improvements and 4 to 7 years for equipment.

Noncurrent Liabilities

Noncurrent liabilities include the following: the portion of the annuities payable that will come due in more than one year and amounts due to others that the Foundation will pay out in more than one year.

Panther Club

The purpose of the Panther Club, a division of the Foundation, is to raise funds for the Athletic Department. The amounts raised are recorded as gifts. The costs of the Panther Club are paid through its fund-raising activities.

Net Assets

The Foundation's net assets are classified as follows:

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

Restricted net assets-nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted net assets-expendable: Restricted expendable net assets include resources in which the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from administrative fees charged, unrestricted gifts, agreement with the University and various other sources of revenue. These resources are used for transactions relating to the general operations of the Foundation, 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 fiscal agent of the Foundation account uses his discretion in deciding which resources to apply.

Income Taxes

The Foundation 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.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Gifts of Future Interests

The Foundation records gifts of future interests net of the actual present value of payments required to be made to the donors.

Classification of Revenues

The Foundation 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 Foundation's mission to raise funds for the University such as (1) gifts, (2) service contract with the University and (3) development activities sponsored for Athletics.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as investment income and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary 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 Standards

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 Foundation for the years ended June 30, 2005 and 2004. The new accounting guidance requires that the Foundation communicate deposit and investment risks. Under GASB Statement No. 40, the Foundation 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.

2 CASH AND INVESTMENTS

Cash and Cash Equivalents

The Foundation maintains deposits at those depository institutions authorized by the Foundation Board of Directors. The carrying amount and bank balance of cash on deposit with financial institutions at June 30, 2005 and 2004 was \$121 and \$29,975, respectively. These deposits are fully covered by Federal Depository Insurance.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

2 CASH AND INVESTMENTS - Continued

Investments

The Foundation is authorized by the Board of Directors to invest funds in compliance with stated investment policies. Investments in real estate and farm properties are carried at cost, or when donated, at the fair value at the date of donation. All other investments are carried at their fair value, as determined by quoted market prices.

If a donor has not provided specific instructions, Illinois Compiled Statutes (760 ILCS 50/3) permits the Board of Directors to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board of Directors is required to consider the Foundation's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The long-term objective of the endowment funds, as determined by the Board of Directors, is to achieve a total return in excess of its current spending rate policy over a twenty-year time horizon. The current rate of the spending rate policy is 5% per year, comprised of a 4.25% spending rate and 0.75% for administrative expenses. In addition to achieving the 5% spending rate policy, the policy asset allocation is designed to cover the costs of inflation, investment management/consulting fees, and other related costs. The spending allowance calculation is determined by taking the spending rate (currently 5%) times the investment portfolio's trailing twelve-quarter average market value, as of December 31st of each year. Any remaining return over the 5% spending rate will be retained for use in future years. At June 30, 2005 and 2004, net appreciation of \$9,884,916 and \$8,520,555, respectively, is available to be spent, but is restricted to specific purposes. Also at June 30, 2005 and 2004, the fair market value of certain endowment investments were below their original cost by \$1,265 and \$3,457, respectively.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The foundation's fixed income investments are disclosed as follows:

| <u>Effective Duration</u> | <u>0-1 Year</u> | <u>1-4 Years</u> |
|---------------------------|-----------------|------------------|
| June 30, 2005 | | |
| U. S. Government | \$ - | \$ - |
| Mutual Bond Funds | 13,542,394 | - |
| June 30, 2004 | | |
| U. S. Government | \$ 9,900 | \$ - |
| Mutual Bond Funds | 11,561,809 | - |

The Foundation holds mutual funds with PIMCO and Vanguard. PIMCO bond funds have an average maturity of 6 years. Vanguard bond funds have an average maturity of 7.2 years. The Foundation does not have a policy that specifically addresses interest rate risk.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

2 CASH AND INVESTMENTS - Continued

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. PIMCO bond funds are rated AAA by S&P. Vanguard bond funds are rated AAA and AA by S&P. The Foundation has no specific guidelines addressing the credit rating of fixed income securities. The quality ratings for investments disclosed are shown as follows.

| <u>Quality Rating</u> | <u>AAA</u> | <u>AA</u> |
|-----------------------|--------------|-----------|
| June 30, 2005 | | |
| Money Market Funds | \$ 1,062,523 | \$ - |
| U. S. Government | - | - |
| Mutual Bond Funds | 13,096,070 | 446,324 |
| June 30, 2004 | | |
| Money Market Funds | \$ 1,012,865 | \$ - |
| U. S. Government | 9,900 | - |
| Mutual Bond Funds | 11,124,583 | 437,226 |

Custodial Credit Risk

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the Foundation would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party. One hundred percent of the Foundation's investments are held by a custodian in the Foundation's name and are not subject to creditors of a custodial bank.

The Foundation's investments in The Illinois Funds, money market mutual funds, mutual funds, bond funds, equity funds and Federated Treasury Obligations Trust are not subject to detail disclosure because the Foundation owns shares of each investment fund and not the physical securities. Cash surrender value of life insurance and real estate are also not subject to disclosure.

Concentration Risk

The Foundation does not have any investments representing 5% or more of total assets in any single issuer. The Foundation does not have a policy that specifically addresses concentration risk.

The Foundation has not held foreign currency positions. Managers are authorized to participate in securities lending, but did not participate in securities lending other than participation in a mutual fund.

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 mutual funds, bond funds, equity funds, Federated Treasury Obligations Trust and mutual funds have not disclosed to the Foundation whether derivatives are used, held or were written during the period covered by the financial statements.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

2 CASH AND INVESTMENTS - Continued

Reconciliation to the Statement of Net Assets

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

| | 2005 | 2004 |
|---|---------------|---------------|
| First Mid-Illinois Bank & Trust cash accounts | \$ 121 | \$ 29,975 |
| The Illinois Funds money market accounts | 1,794,763 | 2,117,318 |
| Total cash and cash equivalents | 1,794,884 | 2,147,293 |
| Money market accounts administered by First Mid-Illinois Bank & Trust | 131,962 | 124,054 |
| Money market accounts administered by Charles Schwab & Co., Inc | 930,561 | 888,811 |
| Investments administered by Charles Schwab & Co., Inc. | | |
| Bond funds | 13,542,394 | 11,561,809 |
| Equity funds | 19,077,219 | 17,108,616 |
| Investments administered by Davis Funds | 5,125,351 | 4,361,544 |
| Common and preferred stock | 1,593 | 575 |
| Life insurance cash values | 56,527 | 53,249 |
| Real estate | 2,146,354 | 2,146,354 |
| U. S. Treasury/agency securities | - | 9,900 |
| Total investments | 41,011,961 | 36,254,912 |
| Total cash and investments | \$ 42,806,845 | \$ 38,402,205 |

3 PLEDGES RECEIVABLE

Unconditional pledges receivable consists of the following:

| | 2005 | 2004 |
|--|------------|------------|
| Gross unconditional pledges receivable - restricted to athletic facilities improvements | \$ 217,709 | \$ 176,100 |
| Less: Unamortized discount | (30,705) | (18,061) |
| Net unconditional pledges receivable | 187,004 | 158,039 |
| Less: Current portion of pledges receivable | (92,164) | (48,250) |
| Noncurrent pledges receivable | \$ 94,840 | \$ 109,789 |
| Amounts due in: | | |
| Less than one year | \$ 105,924 | \$ 48,250 |
| One to five years | 101,785 | 112,850 |
| Six to ten years | 10,000 | 15,000 |
| | \$ 217,709 | \$ 176,100 |

Unconditional pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate ranging from 4% to 6.5%.

Uncollectible amounts for unconditional pledges receivable are expected to be insignificant. Accordingly, no provision is made for uncollectible amounts.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

4 CAPITAL ASSETS

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

| <u>June 30, 2005</u> | <u>6/30/2004</u> | <u>Additions</u> | <u>Deletions</u> | <u>6/30/2005</u> |
|---|---------------------|--------------------|------------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 695,930 | \$ - | \$ - | \$ 695,930 |
| Other depreciable capital assets | | | | |
| Buildings and improvements | 1,414,262 | 17,883 | - | 1,432,145 |
| Total capital assets being depreciated | 1,414,262 | 17,883 | - | 1,432,145 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 55,966 | 28,464 | - | 84,430 |
| Total accumulated depreciation | 55,966 | 28,464 | - | 84,430 |
| Total capital assets being depreciated, net | 1,358,296 | (10,581) | - | 1,347,715 |
| Total capital assets, net | <u>\$ 2,054,226</u> | <u>\$ (10,581)</u> | <u>\$ -</u> | <u>\$ 2,043,645</u> |

Depreciation expense for the year ended June 30, 2005 was \$28,464.

| <u>June 30, 2004</u> | <u>6/30/2003</u> | <u>Additions</u> | <u>Deletions</u> | <u>6/30/2004</u> |
|---|---------------------|------------------|------------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 695,930 | \$ - | \$ - | \$ 695,930 |
| Other depreciable capital assets | | | | |
| Buildings and improvements | 1,361,115 | 53,147 | - | 1,414,262 |
| Total capital assets being depreciated | 1,361,115 | 53,147 | - | 1,414,262 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 28,056 | 27,910 | - | 55,966 |
| Total accumulated depreciation | 28,056 | 27,910 | - | 55,966 |
| Total capital assets being depreciated, net | 1,333,059 | 25,237 | - | 1,358,296 |
| Total capital assets, net | <u>\$ 2,028,989</u> | <u>\$ 25,237</u> | <u>\$ -</u> | <u>\$ 2,054,226</u> |

Depreciation expense for the year ended June 30, 2004 was \$27,910.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

5 LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2005 and 2004 was as follows:

| <u>June 30, 2005</u> | Balance <u>June 30, 2004</u> | Additions | Reductions | Balance <u>June 30, 2005</u> | Amounts due within one year |
|-----------------------------|---------------------------------|-------------------|-------------------|---------------------------------|--------------------------------|
| Demand mortgage note | \$ 1,494,356 | \$ 17,882 | \$ - | \$ 1,512,238 | \$ 1,512,238 |
| Annuities payable | 2,649,628 | 308,290 | 264,813 | 2,693,105 | 382,517 |
| Due to others | 4,906,053 | 302,228 | 14,772 | 5,193,509 | - |
| Total long-term liabilities | <u>\$ 9,050,037</u> | <u>\$ 628,400</u> | <u>\$ 279,585</u> | <u>\$ 9,398,852</u> | <u>\$ 1,894,755</u> |

| <u>June 30, 2004</u> | Balance <u>June 30, 2003</u> | Additions | Reductions | Balance <u>June 30, 2004</u> | Amounts due within one year |
|-----------------------------|---------------------------------|---------------------|------------------|---------------------------------|--------------------------------|
| Demand mortgage note | \$ 1,425,581 | \$ 68,775 | \$ - | \$ 1,494,356 | \$ 1,494,356 |
| Annuities payable | 2,356,871 | 366,339 | 73,582 | 2,649,628 | 322,505 |
| Due to others | 4,313,128 | 592,925 | - | 4,906,053 | - |
| Total long-term liabilities | <u>\$ 8,095,580</u> | <u>\$ 1,028,039</u> | <u>\$ 73,582</u> | <u>\$ 9,050,037</u> | <u>\$ 1,816,861</u> |

The Foundation incurred a demand mortgage note payable to a bank for the purchase of land and construction of a new foundation center, known as the Neal Welcome Center. The building, as well as two unitrust gifts were pledged as collateral on this note. The interest rate on this note was increased from 5.25% to 6.50% on April 10, 2005. Accrued interest is payable on demand, but if no demand is made, then on the 10th day of each month. The principal is payable on demand, but if no demand is made, then on October 10, 2011.

Maturity Information

The scheduled maturities of the mortgage note payable, if no demand is made, are as follows:

| Fiscal Year | Principal | Interest | Total Payments |
|-------------|---------------------|-------------------|---------------------|
| 2006 | \$ - | \$ 98,295 | \$ 98,295 |
| 2007 | - | 98,295 | 98,295 |
| 2008 | - | 98,295 | 98,295 |
| 2009 | - | 98,295 | 98,295 |
| 2010 | - | 98,295 | 98,295 |
| 2011-2012 | 1,512,238 | 126,043 | 1,638,281 |
| Totals | <u>\$ 1,512,238</u> | <u>\$ 617,518</u> | <u>\$ 2,129,756</u> |

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

6 SIGNIFICANT TRANSACTIONS WITH THE PRIMARY GOVERNMENT AND RELATED COMPONENT UNITS

The Foundation has a contract with Eastern Illinois University in which the Foundation has agreed to aid and assist the University in achieving its education, research and service goals by developing and administering gifts made to the Foundation to be used for the benefit of the University for scholarships, grants and other supporting programs. The University agreed, as a part of this contract, to furnish certain services necessary to the operation of the Foundation which are to be repaid by the Foundation 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 cash, services and other resources to the Foundation totaling \$183,683 and \$177,130, respectively, to help defray the Foundation's costs incurred under the contract. During the years ended June 30, 2005 and 2004, the Foundation incurred expenses of \$105,058 and \$101,236 under the contract, respectively.

During the years ended June 30, 2005 and 2004, the Foundation gave the University \$1,082,409 and \$3,451,837, respectively, of cash, services and resources, unrestricted or restricted only as to department, which were generally for on-going operations of the University. In addition, the Foundation gave the University restricted scholarships, grants and awards of \$523,678 and \$534,567 during the years ended June 30, 2005 and 2004, respectively. Services and resources totaling \$59,733 and \$55,533 for the years ended June 30, 2005 and 2004, respectively, are included above, but not reflected in the financial statements. Also, the Foundation received \$16,454 and \$16,816 for the years ended June 30, 2005 and 2004, respectively, in gifts from the University's restricted gift account with the donor's consent.

Pursuant to governmental accounting standards, the Foundation 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 Foundation. These payments (estimated at \$49,501 in 2005 and estimated at \$144,355 in 2004) are the amounts shown as Budget allocations from the University and Budget expended at the University in the Statement of Revenues, Expenses and Changes in Net Assets. The substantial decrease in the estimate for 2005, over 2004, is the result of the State of Illinois issuing general obligation bonds to reduce the actuarial reserve deficiency in the State University Retirement System during fiscal year 2004.

7 FUNDS HELD IN TRUST FOR OTHERS

The Foundation has been named Trustee and Executor of the Residuary Trust (the Trust) as stipulated in the Last Will and Testament of H. Ogden Brainard. It is the responsibility of the Trustee to hold and administer the Trust for the uses and purposes stipulated in the will. The Foundation's responsibilities as trustee include paying certain bequests (which were disbursed in March 1993) and paying the net income of the Trust to certain charities as stipulated in the Trust, not less frequently than semi-annually.

The Foundation agreed to act as a successor corporate trustee for the William Forest Buckler Trust, a trust under the will of William Forest Buckler. It is the responsibility of the trustee to hold and administer the trust for the uses and purposes stipulated in the will. The will names Eastern Illinois University, not the Foundation, as the beneficiary of the remainder of the trust estate after the expiration of the trust.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

7 FUNDS HELD IN TRUST FOR OTHERS - Continued

The assets of these trusts totaled \$4,467,666 for 2005 and \$4,252,169 for 2004. They are included in the cash and investment classifications within the financial statements. Also, the related liability of \$4,467,666 for 2005 and \$4,252,169 for 2004 are included in the due to others classification within the financial statements.

8 RISK MANAGEMENT

The Foundation is exposed to various risks of loss including, but not limited to, general liability, property casualty and director and officer liability. The Foundation is liable for up to \$500/year deductible for property damage. No significant reduction 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:

| | <u>2005</u> | <u>2004</u> |
|-----------------------|-------------------|-------------------|
| Institutional Support | \$ 573,941 | \$ 617,859 |
| Depreciation | 28,464 | 27,910 |
| | <u>\$ 602,405</u> | <u>\$ 645,769</u> |

10 CONTINGENCIES

The Foundation is party to a lawsuit arising out of the normal conduct of its operations. In the opinion of Foundation management, the ultimate resolution of this matter will not have a material adverse effect upon the Foundation's financial position.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Years ended June 30, 2005 and 2004

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

▪ **Fiscal Schedules and Analysis**

Comparative Schedule of Investments

Analysis of Significant Statement of Net Assets Accounts

Analysis 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 Foundation 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, except for that portion marked "unaudited" on which they express no opinion, is stated fairly, in all material respects, in relation to the basic financial statements taken as a whole.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

COMPARATIVE SCHEDULE OF INVESTMENTS

June 30, 2005 and 2004

| | 2005 | 2004 |
|---|---------------|---------------|
| Common Stock | | |
| First Mid-Illinois Bancshares, 25 shares | \$ 1,018 | \$ - |
| Preferred Stock | | |
| Moultrie Grain Co. Class C, 23 shares | 575 | 575 |
| Bonds | | |
| Coupon Treasury Receipt (Zero Coupon Treasury) | - | 9,900 |
| Other | | |
| Cash surrender value of life insurance policies | 56,527 | 53,249 |
| Investments administered by First Mid-Illinois Bank & Trust | | |
| Money market funds | 131,962 | 124,054 |
| Investments administered by Charles Schwab & Co., Inc. | | |
| Bond funds | 13,542,394 | 11,561,809 |
| Equity funds | 19,077,219 | 17,108,616 |
| Money market funds | 930,561 | 888,811 |
| Investments administered by Davis Funds | | |
| Equity funds | 5,125,351 | 4,361,544 |
| Real estate | 2,146,354 | 2,146,354 |
| Subtotal other | 41,010,368 | 36,244,437 |
| Total Investments | \$ 41,011,961 | \$ 36,254,912 |
| Allocation by classification | | |
| Current assets, unrestricted investments | \$ - | \$ 9,900 |
| Current assets, restricted investments | 1,725,155 | 1,702,952 |
| Noncurrent assets, endowment investments | 18,445,205 | 15,536,114 |
| Noncurrent assets, restricted investments | 20,841,601 | 19,005,946 |
| | \$ 41,011,961 | \$ 36,254,912 |

The number of shares shown in this schedule are for the June 30, 2005 investment amounts only.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

ANALYSIS OF SIGNIFICANT STATEMENT OF NET ASSETS ACCOUNTS

| | June 30, 2005 and 2004 | | | Increase (Decrease) |
|---|------------------------|------------|-----|------------------------|
| | 2005 | 2004 | | |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 366,673 | \$ 288,568 | (1) | \$ 78,105 |
| Restricted cash and cash equivalents | 1,411,068 | 1,687,349 | (2) | (276,281) |
| Restricted investments | 1,725,155 | 1,702,952 | | 22,203 |
| Other current investments | - | 9,900 | | (9,900) |
| Pledges receivable | 92,164 | 48,250 | (3) | 43,914 |
| Accounts receivable | 793 | 70,666 | (4) | (69,873) |
| Grain inventory | 9,600 | 34,734 | (5) | (25,134) |
| Prepaid expenses | 20,748 | 14,075 | | 6,673 |
| Noncurrent assets | | | | |
| Restricted cash and cash equivalents | 17,143 | 171,376 | (2) | (154,233) |
| Endowment investments | 18,445,205 | 15,536,114 | (6) | 2,909,091 |
| Restricted investments | 20,841,601 | 19,005,946 | | 1,835,655 |
| Pledges receivable | 94,840 | 109,789 | | (14,949) |
| Capital assets, net of accumulated depreciation | 2,043,645 | 2,054,226 | | (10,581) |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | 13,552 | 10,549 | | 3,003 |
| Accrued interest | - | 4,299 | | (4,299) |
| Annuities payable, current portion | 382,517 | 322,505 | (7) | 60,012 |
| Demand mortgage payable | 1,512,238 | 1,494,356 | | 17,882 |
| Noncurrent liabilities | | | | |
| Annuities payable, less current portion | 2,310,588 | 2,327,123 | | (16,535) |
| Due to others | 5,193,509 | 4,906,053 | | 287,456 |

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

ANALYSIS OF SIGNIFICANT STATEMENT OF NET ASSETS ACCOUNTS - CONTINUED

June 30, 2005 and 2004

All increases/decreases > \$ 25,000 and a 10% variance were determined to be significant.

- (1) The increase in unrestricted cash and cash equivalents of \$78,105 is the result of a decision by the Foundation Board to change the calculation of administration fees charged to new gifts and the various investment holdings.
- (2) The \$276,281 decrease in current restricted cash and cash equivalents and the \$154,233 decrease in noncurrent restricted cash and cash equivalents for fiscal year 2005 is due to the timing of transfers of excess cash to investment accounts.
- (3) Pledges receivable increased in FY2005 due to a new pledge drive for the Basketball Academic Center.
- (4) The \$69,873 decrease in accounts receivable is mainly because in fiscal year 2004 the University did not pay the Foundation the \$69,625 due under the master contract until after the fiscal year end. In 2005, the payment was received prior to June 30th.
- (5) The \$25,134 decrease in grain inventory is the result of a decision by the Foundation's farm manager to sell fall 2004 crops sooner in fiscal year 2005 due to grain market conditions.
- (6) The increase of \$2,909,091 in endowment investments in fiscal year 2005 is because of several factors. These factors are: as noted in note #2, the timing of transfer of excess cash to the investment; the increase in the fair value of investments; and the amount of new gifts received in 2005, including one endowment gift of \$2,000,000.
- (7) The increase in annuities payable is due to the nonpayment of certain unitrust's payouts per a court order until the court determined who the payee should be. The court decided in late June of 2005 and the payments were made in early July of 2005. The payments totaled approximately \$37,000. In addition, two new annuities were started during the current year.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

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

Years ended June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> | <u>Increase (Decrease)</u> |
|--|-------------|------------------|--------------------------------|
| Operating Revenue | | | |
| Gifts | \$ 903,941 | \$ 1,116,838 (1) | \$ (212,897) |
| Service contract with University | 183,683 | 177,130 | 6,553 |
| Budget allocation from University | 49,501 | 144,355 (2) | (94,854) |
| Other income | 126,201 | 81,061 (3) | 45,140 |
| Operating Expenses | | | |
| Personal services | 110,989 | 84,225 (4) | 26,764 |
| Printing | 18,629 | 24,288 | (5,659) |
| Postage and supplies | 54,279 | 30,835 (4) | 23,444 |
| Telephone | 27,273 | 13,593 (4) | 13,680 |
| Dues and subscriptions | 3,542 | 7,854 | (4,312) |
| Meetings and receptions | 66,956 | 52,736 | 14,220 |
| Professional fees | 95,005 | 115,211 (4) | (20,206) |
| Computer maintenance | 2,400 | 3,245 | (845) |
| Insurance | 5,895 | 12,607 | (6,712) |
| Building expenditures | 34,414 | 30,504 | 3,910 |
| Depreciation | 28,464 | 27,910 | 554 |
| In-Kind expenses under contract with the University | | | |
| Personnel expenses | 102,828 | 96,196 | 6,632 |
| Utilities and maintenance | 2,230 | 2,210 | 20 |
| Budget expended at the University | 49,501 | 144,355 (2) | (94,854) |
| Nonoperating Revenues (Expenses) | | | |
| Investment Income | | | |
| Interest and Dividends | 1,024,316 | 696,873 (5) | 327,443 |
| Net increase (decrease) in fair value of investments | 1,720,832 | 3,987,103 (6) | (2,266,271) |
| Scholarships | (523,678) | (534,567) | 10,889 |
| Distributions to annuity/unitrust beneficiaries | (251,486) | (338,259) (7) | 86,773 |
| Actuarial adjustments | (28,651) | (40,977) | 12,326 |
| Interest on capital asset-related debt | (83,363) | (77,560) | (5,803) |
| Grants to University | (1,022,676) | (3,396,304) (8) | 2,373,628 |
| Other | (4,539) | (5,418) | 879 |
| Additions to permanent endowments | 2,495,495 | 320,003 (9) | 2,175,492 |

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

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

Years ended June 30, 2005 and 2004

All increases/decreases > \$ 25,000 and a 10% variance were determined to be significant.

- (1) The decrease in gifts of \$212,897 in 2005 is mainly because in 2004 the Foundation received deferred gifts of \$680,370 (net deferred gifts of \$303,639). In 2005 the Foundation only received deferred gifts of \$40,000 (net deferred gifts of \$8,030).
- (2) The decrease of \$94,854 in the budget allocation from University and the related budget expended at the University in 2005 is because in 2004 the State of Illinois issued general obligation bonds to reduce the actuarial reserve deficiency in the State University Retirement System. The State did not do this in 2005.
- (3) The \$45,140 increase in other income in 2005 over 2004 is attributable to increased fundraising activities by the Panther Club and an increase in administrative fees charged the various trusts under the new administrative fee schedule.
- (4) During fiscal year 2005, operating expenses for personal services, postage and printing, and telephone increased by \$26,764, \$23,444 and \$13,680, respectively, over 2004. Additionally, professional services decreased by \$20,206 in 2005 over 2004. These changes occurred because in 2004 a professional fundraising organization handled the telefund drives. In 2005, the telefund drives were conducted by students and University personnel.
- (5) The increase in interest and dividends for fiscal year 2005 is directly related to the increase in interest rates paid on investments and the overall market improvement.
- (6) The Foundation records its investments in accordance with Governmental Accounting Standards Board Statement No. 31 which requires the recording of investments at market value rather than cost. The net increase/decrease in the fair value of investments is comprised of unrealized gains or losses on investments. The Foundation showed increases in both 2005 and 2004. However, the unrealized gains were less in 2005.
- (7) The decrease in distributions to annuity/unitrust beneficiaries in fiscal year 2005 is mainly the result of reclassifying the accounting for 50% of the distributions from one large unitrust to an offset against due to others rather than a nonoperating expense.
- (8) The \$2,373,628 decrease in grants to University in 2005 over 2004 is the result of approximately \$2.0 million being transferred from the Foundation to the University to fund the Tarble Arts Center renovation in 2004 and the timing of requested transfers from the Foundation to the University by University departments.
- (9) The increase in endowments is due mainly to the Foundation receiving a \$2 million endowment gift during fiscal year 2005.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

AGENCY FUNCTIONS AND PLANNING PROGRAM

Years ended June 30, 2005 and 2004

Eastern Illinois University Foundation is located in the Neal Welcome Center, 860 W. Lincoln Ave., Charleston, Illinois. The Executive Officer of the Foundation at June 30, 2005, was Patrice A. Stratton.

Eastern Illinois University Foundation was incorporated under the laws of the State of Illinois in 1953 as a not-for-profit foundation. The primary objective of the Foundation is to assist in developing and increasing the facilities of the University for broader educational activities by encouraging gifts from alumni and friends of the University. The efforts of the Foundation have been to gather financial support for purposes other than those for which the State of Illinois has made sufficient appropriations. This support is provided to the University through activities including scholarships and awards, grants, and receiving and holding gifts made for the benefit of the University. The Foundation exists solely to promote the interests and welfare of the University.

It is the intention of the management and Board of Directors of the Foundation that its continuing long-term goals are those described in its by-laws. The Foundation also has certain on-going programs for fund raising and support of the University which are periodically reviewed by management. The Board adopts short term, non-recurring projects and goals and specific strategies to achieve these goals which are consistent with the overall objectives of the Foundation.

Auditor's Assessment

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

ANNUAL COST STATISTICS

UNAUDITED

The Eastern Illinois University Foundation (Foundation) was formed for the purpose of providing fundraising services to Eastern Illinois University (University) in order to attract private gifts. These gifts are used to support the University's instructional, research and public service activities.

The Governmental Accounting Standards Board has defined three categories to measure service effort and accomplishments.

1. Output measures of the quantity or quality of service provided. Distributions to the University and other charitable distributions are the output measurements of service provided by the Foundation. The following are the distributions to the University and other charitable distributions for the years ended June 30:

| | 2005 | 2004 | 2003 | 2002 | 2001 |
|------------|-------------|-------------|------------|-------------|-------------|
| Restricted | \$1,550,893 | \$3,936,289 | \$ 942,344 | \$1,867,607 | \$1,114,225 |

2. Outcome measures of the results and progress toward established goals and objectives. Gifts and contributions revenue is the outcome measurement of the results achieved by the Foundation. The following is the contributions to the Foundation for the years ended June 30:

| | 2005 | 2004 | 2003 | 2002 | 2001 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Unrestricted | \$ 5,483 | \$ 6,899 | \$ 10,271 | \$ 11,390 | \$ 5,501 |
| Restricted | 890,428 | 806,300 | 1,129,502 | 928,320 | 2,824,935 |
| Endowment | 2,495,495 | 320,003 | 945,579 | 485,583 | 847,284 |
| Annuity and Life Income | 8,030 | 303,639 | 119,245 | 69,996 | 43,240 |
| Total | \$3,399,436 | \$1,436,841 | \$2,204,597 | \$1,495,289 | \$3,720,960 |

3. Efficiency measures relate resources used to the outputs. The contributions ratio or cost per dollar raised and the distribution ratio or cost per dollar distributed are the efficiency measurements of the Foundation. The following is the ratios for the years ended June 30:

| | 2005 | 2004 | 2003 | 2002 | 2001 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| General and Operating Expense | \$ 602,405 | \$ 645,769 | \$ 654,381 | \$ 510,023 | \$ 493,631 |
| Contributions | \$3,399,436 | \$1,436,841 | \$2,204,597 | \$1,495,289 | \$3,720,960 |
| Contribution Ratio | 0.18 | 0.45 | 0.30 | 0.34 | 0.13 |
| General and Operating Expense | \$ 602,405 | \$ 645,769 | \$ 654,381 | \$ 510,023 | \$ 493,631 |
| Distributions to the University | \$1,550,893 | \$3,936,289 | \$ 942,344 | \$1,867,607 | \$1,114,225 |
| Distribution Ratio | 0.39 | 0.16 | 0.69 | 0.27 | 0.44 |

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

SUMMARY OF FOUNDATION PAYMENTS TO THE UNIVERSITY

Years ended June 30, 2005 and 2004

During the years ended June 30, 2005 and 2004, the Foundation was under contract with the University to provide services to receive, hold and administer gifts of property, real or personal, financial or otherwise, which are to be used for and on behalf of the University, its faculty, students, and staff. As provided in the contract, the University provided cash, services and other resources to the Foundation in the amount of \$183,683 and \$177,130, respectively. Although not required by contract, the Foundation fully reimbursed the University for these amounts using cash, services and resources considered unrestricted for purposes of the University Guidelines computations. In addition, the Foundation gave the University funds which are considered restricted for purposes of the Guidelines computations. Presented below is a summary of all funds the Foundation gave to the University during the years ended June 30, 2005 and 2004.

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|---------------------|
| Funds considered unrestricted for purposes of the guidelines computations: | | |
| Unrestricted | \$ - | \$ - |
| Restricted only as to campus, college or department and generally available for on-going University operations | 1,022,676 | 3,396,304 |
| Office space and utilities provided at no charge | <u>59,733</u> | <u>55,533</u> |
| Total funds considered unrestricted | <u>1,082,409</u> | <u>3,451,837</u> |
| Funds considered restricted for purposes of the guidelines computations: | | |
| Given for scholarships, grants and awards | <u>523,678</u> | <u>534,567</u> |
| Total funds considered restricted | <u>523,678</u> | <u>534,567</u> |
| Total funds provided to the University by the Foundation | <u>\$ 1,606,087</u> | <u>\$ 3,986,404</u> |

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

ADDITIONAL REQUIRED INFORMATION

Years ended June 30, 2005 and 2004

Local Funds

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

Employee Statistics

The Foundation obtains all personnel through the 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 46 of this report.