

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.
(A COMPONENT UNIT OF EASTERN ILLINOIS UNIVERSITY)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
AND
INDEPENDENT AUDITOR'S REPORT

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2014 and 2013

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EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

ALUMNI ASSOCIATION OFFICIALS

June 30, 2014

The Alumni Association Board of Directors include:

Mr. Hugh O'Hara, President	Ms. Michelle Ochs
Mr. Tom DuBois, Vice President	Mr. Brian Ormiston
Mr. Chris Caldwell, Secretary-Treasurer	Mr. Nick Owens
Ms. Chelsey Byers	Mr. Roger Perkins
Mr. Mike Carter	Mr. Terry Prillaman
Mr. Matt Ewald	Ms. Peggy Stankoven
Ms. Jamie Fitzgerald	Ms. Julie Sterling
Mr. Robert Glover	Ms. Bonita Tillman
Ms. Mary Beth Huffmann	Mr. Jeff Wright
Ms. Cassie Lively	

Ms. Judy Ethell, EIU Foundation Member Ex-Officio
Mr. Roger Kratochvil, EIU Board of Trustees Member Ex-Officio

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

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

Ms. Tami Babbs	Assistant Comptroller
Ms. Jerilyn Hutson	Assistant Director, Alumni Services

Alumni Association office is located at:

Brainard House
1548 Fourth Street
Charleston, IL 61920

132 South Water St., Suite 300
Decatur, Illinois 62523

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Eastern Illinois University Alumni Association, Inc. (Association), a component unit of Eastern Illinois University, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Association as of June 30, 2014 and 2013, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

The signature of Sikich LLP is written in a cursive, handwritten style.

Decatur, Illinois
October 20, 2014

132 South Water St., Suite 300
Decatur, Illinois 62523

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Members of American Institute of Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eastern Illinois University Alumni Association, Inc. (Association), a component unit of Eastern Illinois University, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated October 20, 2014.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Sikich LLP". The signature is written in a cursive, flowing style.

Decatur, Illinois
October 20, 2014

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Illinois University Alumni Association, Inc. (Association) annual financial report presents management's discussion and analysis of the financial performance of the Association during the fiscal years ended June 30, 2014 and 2013. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of Association management.

Reporting Entity

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

The Association is located in Charleston, Illinois. It was established in 1905 as a means of allowing continuing involvement of graduates and former students in the development of their University. The organization sponsors special events for alumni; assists with homecoming, reunions and similar activities; facilitates communication between alumni and the University; assists in maintaining alumni records; and has other initiatives that contribute to the welfare of the University.

Using the Annual Report

These financial statements are prepared in accordance with the guidance found in the statements issued by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. These statements focus on the financial condition of the Association, the results of operations and cash flows of the Association as a whole.

As prescribed by GASB Statement No. 35, this annual report includes three financial statements: the Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. The accompanying notes to the financial statements provide more detailed information regarding the items presented on the face of the financial statements. An explanation of the financial statement presentation follows.

The Statements of Net Position reflect the assets and liabilities of the Association using the accrual basis of accounting and presents the financial position of the Association at a specified point in time. The difference between total assets and total liabilities, known as net position, is one indicator of the current financial condition of the Association. The increase or decrease in net position that occurs over time indicates the improvement or erosion of the Association's financial condition.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Using the Annual Report - Continued

The Statements of Revenues, Expenses and Changes in Net Position present the revenues earned and expenses incurred during the fiscal year. Revenues and expenses are either operating or nonoperating. Under the current reporting model, investment income, interest expense, grants to the University, and scholarships are treated as nonoperating activities.

The 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

During the year ended June 30, 2014, the Association's net position increased by \$98,260 to \$2,271,283. This is attributable to various factors. The Association's operating expenses exceeded operating income by \$46,846 but nonoperating revenue exceeded nonoperating expenses by \$145,106. Net investment income was \$162,573.

During the year ended June 30, 2013, the Association's net position increased by \$61,542 to \$2,173,023. This is attributable to various factors. The Association's operating expenses exceeded operating income by \$2,863 but nonoperating revenue exceeded nonoperating expenses by \$64,405. Net investment income was \$76,368.

Condensed Financial Information

Condensed Statement of Net Position June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets			
Current assets	\$ 738,723	\$ 844,060	\$ 791,459
Noncurrent assets			
Capital	175,692	181,691	187,690
Other	1,357,492	1,150,485	1,142,916
Total noncurrent assets	<u>1,533,184</u>	<u>1,332,176</u>	<u>1,330,606</u>
Total assets	<u>\$ 2,271,907</u>	<u>\$ 2,176,236</u>	<u>\$ 2,122,065</u>
Liabilities			
Current liabilities	\$ 624	\$ 3,213	\$ 10,584
Total liabilities	<u>624</u>	<u>3,213</u>	<u>10,584</u>
Net position			
Net investment in capital assets	175,692	181,691	187,690
Unrestricted	2,095,591	1,991,332	1,923,791
Total net position	<u>2,271,283</u>	<u>2,173,023</u>	<u>2,111,481</u>
Total liabilities and net position	<u>\$ 2,271,907</u>	<u>\$ 2,176,236</u>	<u>\$ 2,122,065</u>

As of June 30, 2014 and 2013, Association assets totaled \$2,271,907 and \$2,176,236, respectively. The largest asset of the Association in either year is its investments of \$1,839,307 at June 30, 2014 and \$1,676,734 at June 30, 2013. The \$162,573 increase in investments in 2014 is partially due to the \$32,437 investment income (net of fees) reinvested, plus the \$130,136 increase in the fair value of investments as of June 30, 2014. For fiscal year 2013, the \$76,368 increase in investments is due to the \$38,156 investment income (net of fees) reinvested, plus the \$38,212 increase in the fair value of investments as of June 30, 2013.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

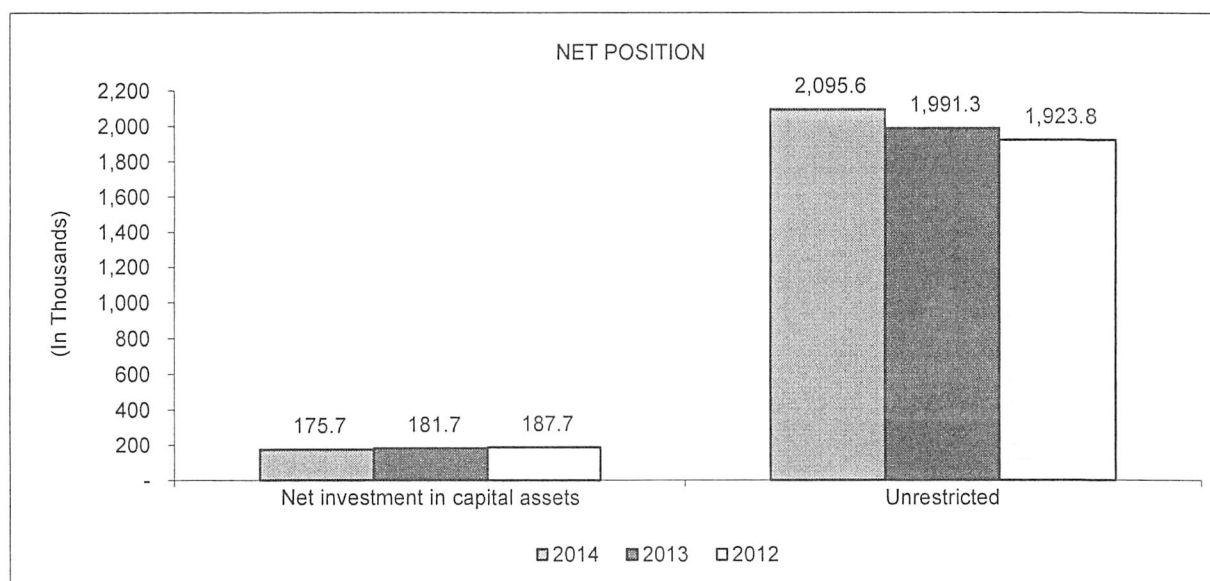
Condensed Financial Information - Continued

The Association's current assets of \$738,723 and \$844,060 as of June 30, 2014 and 2013, respectively, were sufficient to cover the current liabilities of \$624 and \$3,213, respectively. The current ratio is \$1,184 of current assets for every \$1 of current liabilities in fiscal year 2014 and was \$263 in current assets for every \$1 in current liabilities for fiscal year 2013.

The difference in liabilities from fiscal year 2014 to 2013 was due to an order for labels that was not received at June 30, 2013.

There were no material changes in total net position between fiscal years 2014 and 2013.

The following graph shows net assets by classification and restriction:



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

	2014	2013	2012
Operating revenues	\$ 108,257	\$ 103,064	\$ 113,977
Operating expenses	155,103	105,927	160,581
Operating income (loss)	(46,846)	(2,863)	(46,604)
Net non-operating revenues (expenses)	145,106	64,405	24,334
Increase (decrease) in net position	98,260	61,542	(22,270)
Net position			
Net position-beginning of year	2,173,023	2,111,481	2,133,751
Net position-end of year	<u>\$ 2,271,283</u>	<u>\$ 2,173,023</u>	<u>\$ 2,111,481</u>

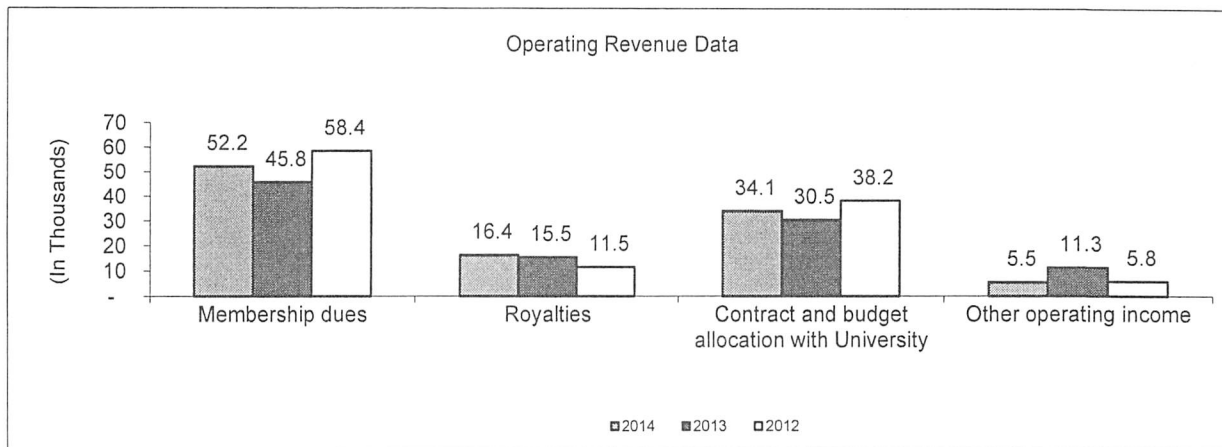
Operating Revenues

Total operating revenues for fiscal years 2014 and 2013 were approximately \$108.0 thousand and \$103.0 thousand, respectively. In 2014 and 2013, the majority of the operating revenue was from membership dues, royalty income, service contract and budget allocation with the University.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Operating Revenues - Continued



Membership Dues

Membership dues assist in covering the cost of keeping in touch with alumni. The benefits from the membership include subscription to "Old Main Line" magazine, use of University library, discounts and first priority on various tickets to events, travel related discounts and various other benefits. A new graduate only has to pay half of an annual membership. The following is a list of the cost of memberships:

New Graduate Membership	\$ 15
Annual Membership	\$ 30
Annual Family Membership	\$ 45
Life-time Installment Membership (per year for five years)	\$ 100
Life-time Installment Family Membership (per year for five years)	\$ 150
Life Membership	\$ 450
Family Life Membership	\$ 700
Senior Life Membership	\$ 225

The total number of Association paid memberships increased during fiscal year 2014 but decreased during 2013. The 2014 increase of 42 was mainly due to an increase in annual individual and family memberships. The 2013 decrease of 363 was due to a drop in annual memberships and new graduate memberships (down 107 and 105 respectively). Total membership dues income was approximately \$52 thousand in 2014 and \$46 thousand in 2013. At June 30, 2014, 2013, and 2012, the Association had the following membership breakdown:

	2014	2013	2012
Complimentary Annual Memberships	2	1	-
New Graduate Memberships	240	273	378
Annual Memberships	995	964	1,134
Annual Family Memberships	308	280	318
Harris Promotional Annual Membership	-	-	1
Life Memberships	269	258	287
Family Life Memberships	111	104	115
Senior Life Memberships	41	44	54
Senior Family Life Memberships	17	17	17
Total Memberships	1,983	1,941	2,304

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

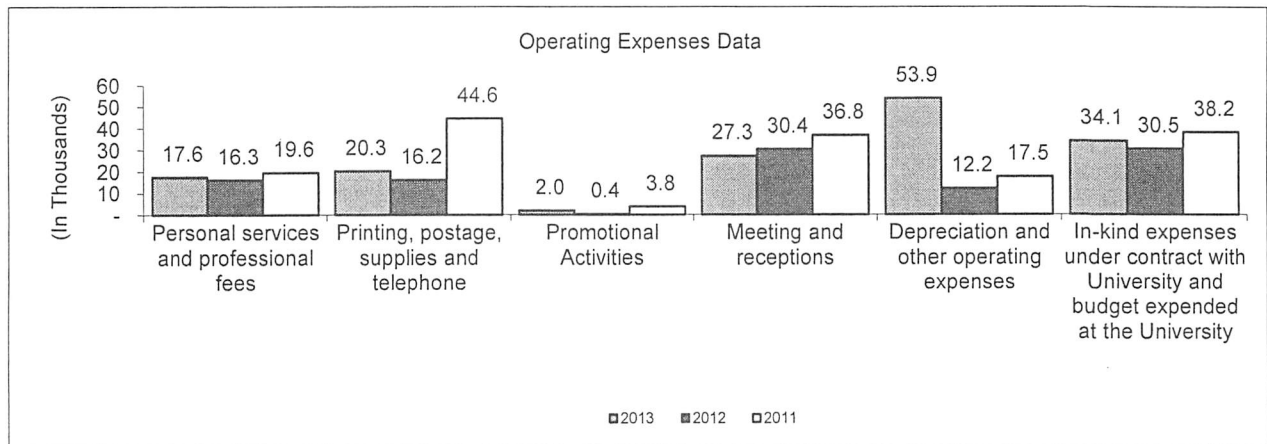
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Service Contract and Budget Allocation from the University

There were no material differences in the amount of revenue recognized in the service contract between the Association and the University and the amount of budget allocation from the University in 2014 and 2013.

Operating Expenses

Operating Expenses for the years ended June 30, 2014 and 2013, totaled \$155,103 and \$105,927 respectively. Of the total for 2014 \$53,899 or 35% was depreciation, building repairs and other operating expenses, \$29,285 or 19% was meeting, receptions and promotional activities, and \$34,083 or 22% was in-kind expenses under contract with the University. Of the total for 2013, \$16,219 or 15% was printing, postage, telephone and supplies, \$30,769 or 29% was meeting, receptions and promotional activities, and \$14,362 or 14% was in-kind expenses under contract with the University. The breakout by expense is highlighted below:



Other

The investment income of \$162,573 and \$76,368 for the years ended June 30, 2014 and 2013 was the largest source of nonoperating revenue each year. This is made up of interest and dividends earned of \$32,437 plus an increase in fair market value of investments of \$130,136 for 2014 and interest and dividends earned of \$38,156 plus an increase in fair market value of investments of \$38,212 for 2013. The increases in the fair market values in 2014 and 2013 are primarily due to fluctuations in interest rates and market conditions.

Gifts and grants to the University of \$4,967 and \$6,963 for the years ended June 30, 2014 and 2013 were the largest source of nonoperating expenses each year. The Association awarded approximately \$12,500 in 2014 and \$5,000 in 2013 of scholarships to students.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Statement of Cash Flows

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

Condensed Statement of Cash Flows

	Years ended June 30,		
	2014	2013	2012
Cash provided (used) by:			
Operating activities	\$ (41,646)	\$ (173)	\$ (28,210)
Noncapital financing activities	(17,467)	(11,963)	(23,168)
Investing activities	-	-	6
Net decrease in cash and cash equivalents	(59,113)	(12,136)	(51,372)
Cash-beginning of year	305,259	317,395	368,767
Cash-end of year	<u>\$ 246,146</u>	<u>\$ 305,259</u>	<u>\$ 317,395</u>

For fiscal year 2014 and 2013, membership dues were the single largest source of funds included in operating activities totaling \$54,135 (while in 2013 totaling \$49,691). The payments to suppliers totaled \$117,720 for 2014 and \$76,673 for 2013. The use of funds included in noncapital financing activities during 2014 and 2013 are various gifts to the University of \$4,967 and \$6,963, respectively, and the awarding of scholarships to students of approximately \$12,500 for 2014 and \$5,000 for 2013. The net source of funds from investing activities in fiscal year 2014 and 2013 are the \$32,437 and \$38,156 respectively, received from interest and dividends (of which \$32,437 and \$38,156 respectively, were reinvested, net of fees).

Economic Outlook

The Alumni Association's operations are funded primarily through a spending rate based on the value of the investment portfolio and revenue from the organization's membership program. The board's investment policy may be revised during the coming year to allow for more effective reaction to any potential market volatility and to take advantage of changes in interest rates or other market conditions which might impact the organization, as well. While one or two new affinity agreements may be entered into during the coming year, any revenue generated is not expected to be significant. In addition, a partial remodeling of Brainard House during the past year revealed additional projects, notably electrical and plumbing upgrades, which will likely need to be addressed in the near term but those may not all be required during FY15.

Note - The Eastern Illinois University Alumni Association is not required to present budgetary comparison information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements because the Eastern Illinois University Alumni Association is not legally required to adopt a budget.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 246,146	\$ 305,259
Investments	486,515	531,749
Accounts receivable	5,050	6,150
Prepaid expense	<u>1,012</u>	<u>902</u>
Total current assets	<u>738,723</u>	<u>844,060</u>
Noncurrent assets:		
Accounts receivable	4,700	5,500
Investments	1,352,792	1,144,985
Capital assets, net of accumulated depreciation	<u>175,692</u>	<u>181,691</u>
Total noncurrent assets	<u>1,533,184</u>	<u>1,332,176</u>
Total assets	<u><u>\$ 2,271,907</u></u>	<u><u>\$ 2,176,236</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	<u>\$ 624</u>	<u>\$ 3,213</u>
Total liabilities	<u>624</u>	<u>3,213</u>
NET POSITION		
Net investment in capital assets	175,692	181,691
Unrestricted	<u>2,095,591</u>	<u>1,991,332</u>
Total net position	<u>2,271,283</u>	<u>2,173,023</u>
Total liabilities and net position	<u><u>\$ 2,271,907</u></u>	<u><u>\$ 2,176,236</u></u>

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES:		
Membership dues	\$ 52,235	\$ 45,755
Alumni promotions	-	1,288
Royalties	16,414	15,491
Service contract with the University	16,952	14,362
Budget allocation from the University	17,131	16,138
Gifts	3,741	8,760
Other operating income	1,784	1,270
	<u>108,257</u>	<u>103,064</u>
OPERATING EXPENSES:		
Personal services	5,280	4,920
Printing	11,483	8,900
Postage, telephone and supplies	8,921	7,319
Dues and subscriptions	195	219
Meetings and receptions	27,139	30,373
Professional fees	12,289	11,365
Promotional activities	2,009	396
Insurance	3,870	3,764
Bad debt expense	2,500	300
Bank fees	292	632
Building repairs and maintenance	41,043	1,240
In-kind expenses under contract with the University		
Personnel services	16,385	13,661
Rent, utilities and maintenance	567	701
Budget expended at the University	17,131	16,138
Depreciation expense	5,999	5,999
	<u>155,103</u>	<u>105,927</u>
Total operating expenses		
	<u>(46,846)</u>	<u>(2,863)</u>
NONOPERATING REVENUE (EXPENSES)		
Investment income:		
Interest and dividends, net of investment fees	32,437	38,156
Net increase in fair market value of investments	130,136	38,212
Scholarships	(12,500)	(5,000)
Gifts/grants to the University	(4,967)	(6,963)
	<u>145,106</u>	<u>64,405</u>
Net nonoperating revenues		
	<u>98,260</u>	<u>61,542</u>
Increase in net position		
	<u>2,173,023</u>	<u>2,111,481</u>
NET POSITION		
Net position - beginning of year		
	<u>2,173,023</u>	<u>2,111,481</u>
Net position - end of year	<u>\$ 2,271,283</u>	<u>\$ 2,173,023</u>

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Membership dues	\$ 54,135	\$ 49,691
Gifts	3,741	8,760
Promotional revenue	-	1,288
Royalties	16,414	15,491
Other receipts	1,784	1,270
Payments to suppliers and vendors	<u>(117,720)</u>	<u>(76,673)</u>
Net cash from operating activities	<u>(41,646)</u>	<u>(173)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Scholarships	(12,500)	(5,000)
Gifts/grants to the University/Foundation	<u>(4,967)</u>	<u>(6,963)</u>
Net cash from noncapital financing activities	<u>(17,467)</u>	<u>(11,963)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	32,437	38,156
Proceeds from investments sold	356,667	15,882
Purchase of investments	<u>(389,104)</u>	<u>(54,038)</u>
Net cash from investing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(59,113)	(12,136)
Cash and cash equivalents, beginning of year	<u>305,259</u>	<u>317,395</u>
Cash and cash equivalents, end of the year	<u>\$ 246,146</u>	<u>\$ 305,259</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	\$ (46,846)	\$ (2,863)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	5,999	5,999
Change in assets and liabilities:		
Decrease in accounts receivable	1,900	3,936
(Increase) decrease in prepaid expense	(110)	126
Increase (decrease) in accounts payable	<u>(2,589)</u>	<u>(7,371)</u>
Net cash from operating activities	<u>\$ (41,646)</u>	<u>\$ (173)</u>

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS, CONTINUED

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
NONCASH INVESTING TRANSACTIONS		
Change in fair value of investments	<u>\$ 130,136</u>	<u>\$ 38,212</u>

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2014 and 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nature of Operations

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

Financial Reporting Entity

The financial reporting entity is defined by the Governmental Accounting Standards Board (GASB) Statement No. 61 - *The Financial Reporting Entity: Omnibus*. 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*) and GASB No. 61, *The Financial Reporting Entity: Omnibus* (an amendment of GASB Statement No. 14 and No. 34), which increased the factors to consider when determining if a component unit should be included in the financial reporting entity of a primary government.

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

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

Financial Statement Presentation

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

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2014 and 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Statement Presentation - Continued

Colleges and Universities; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statements of the Association have been prepared in conformance with these statements.

Basis of Accounting

For financial reporting purposes, the Association is considered a special-purpose government engaged only in business-type activities. Accordingly, the Association's financial statements have been presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Illinois Funds are considered cash equivalents.

Investments

The Association accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses, and Changes in Net Position.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the Association's capitalization policy includes all items with a unit cost of \$500 or more and for land, buildings and improvements their capitalization policy is \$5,000 or more. Renovations to buildings and equipment that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 to 20 years for land improvements and building improvements, and 4 to 7 years for equipment.

Net Position

The Association's net position is classified as follows:

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

Unrestricted net position: Unrestricted net position represents resources derived from Association membership dues, Alumni promotions, net investment income and other Association activities.

Income Taxes

The Association is a non-profit corporation and is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and has been determined not to be a private foundation.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2014 and 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Classification of Revenues

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

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions or that are part of the Association's mission to contribute to the welfare of the University, such as (1) Association membership dues and gifts (2) Alumni promotions and merchandise.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as investment income and other revenue sources that are defined as Nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of 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 Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements, which are effective for periods beginning July 1, 2012, or later, which impact the University:

GASB Statement No. 60 - *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement applies to public-private partnerships in which the public institution retains specific control criteria. The standard generally applies to arrangements to provide services through the use of infrastructure or another public asset, such as facilities. This Statement is effective for periods beginning after December 15, 2011. The Alumni Association has determined that it does not have any service concession arrangements as defined by the Statement.

GASB Statement No. 61 - *The Financial Reporting Entity: Omnibus*. This Statement amends the requirements of GASB Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Statement amends the criteria for including a component unit, as well as the criteria for how to disclose component units' financial information. The Statement is effective for periods beginning after June 15, 2012. The Statement does affect the Alumni Association, but does not significantly change the financial reporting of the Association.

GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. This Statement incorporates guidance that previously could only be found in certain FASB and AICPA pronouncements. The Statement supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. This Statement is effective for periods beginning after December 15, 2011. Because the Statement incorporates existing guidance, the Statement does affect the Alumni Association, but does not significantly change the financial reporting of the Association.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2014 and 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB Statement No. 63 - *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. This Statement addresses how to report elements of financial statements that are deferred inflows and deferred outflows and clarifies that they should be reported in a separate section in the Statement of Net Position. The Statement is effective for periods beginning after December 15, 2011. The Statement did not significantly impact the Association.

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The Alumni Association's cash deposits are held by the University in the Illinois Funds. The Illinois Funds are pooled short term fully collateralized money market accounts administered by the Treasurer of the State of Illinois.

Investments

The Alumni Association's Board of Director's takes oversight of the Association's investment policy. The policy is structured to provide guidance to external managers as they strive to meet the Association's goals. They seek to limit the overall level of risk commensurate with the chosen policy asset allocation. The Association has no legal or contractual restrictions on the type of investments they purchase. On the statements of revenues, expenses and changes in net position, investment income is netted with investment fees. Investment fees were \$8,735 and \$8,631 respectively, for the years ended June 30, 2014 and 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Eastern Illinois University Alumni Association has updated its target asset allocation of investments other than cash in Illinois Funds as 26% equities, 74% fixed income mutual funds, with approximately 61% of fixed income being investment grade. An assumption is made in reporting that callable bonds will be held until maturity. Effective maturity ranges for investments disclosed are shown as follows (for purposes of mutual bond fund maturity, the Association has evaluated the underlying holdings of those funds and classified the average maturity on that basis):

June 30, 2014	Money	Mutual Bond	
<u>Average Maturity</u>	<u>Market</u>	<u>Funds</u>	<u>Total</u>
Less than 1 year	\$ 325	\$ -	\$ 325
1-5 years	-	-	-
5-10 years	-	1,352,792	1,352,792
Total	<u>\$ 325</u>	<u>\$ 1,352,792</u>	<u>\$ 1,353,117</u>
June 30, 2013	Money	Mutual Bond	
<u>Average Maturity</u>	<u>Market</u>	<u>Funds</u>	<u>Total</u>
Less than 1 year	\$ 31,206	\$ -	\$ 31,206
1-5 years	-	-	-
5-10 years	-	1,144,985	1,144,985
Total	<u>\$ 31,206</u>	<u>\$ 1,144,985</u>	<u>\$ 1,176,191</u>

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2014 and 2013

2 CASH AND CASH EQUIVALENTS 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. The Alumni Association investment policy limits investments to 'A' rated or above fixed income securities. Mutual bond fund ratings represent investments in the portfolio, but the bond funds themselves are not rated. The quality rating for investments disclosed are shown as follows:

June 30, 2014

Quality Rating	Money Market	Mutual Bond Funds	Total
AAA	\$ 325	\$ -	\$ 325
Not Rated	-	1,352,792	1,352,792
	<u>\$ 325</u>	<u>\$ 1,352,792</u>	<u>\$ 1,353,117</u>

June 30, 2013

Quality Rating	Money Market	Mutual Bond Funds	Total
AAA	\$ 31,206	\$ -	\$ 31,206
Not Rated	-	1,144,985	1,144,985
	<u>\$ 31,206</u>	<u>\$ 1,144,985</u>	<u>\$ 1,176,191</u>

Custodial Credit Risk

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

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

Concentration Risk

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

The Alumni Association has not held foreign currency positions, nor has it participated in securities lending.

The Illinois Funds are in the custody of the State Treasurer and are pooled and invested with other state funds in accordance with the Deposits of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these investments are available within the State of Illinois' Comprehensive Annual Financial Report.

The Illinois Funds do not have any direct or indirect investments in derivative instruments. The money market funds and mutual funds have not disclosed to the Alumni Association whether derivatives are used, held, or were written during the period covered by the financial statements.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2014 and 2013

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Reconciliation to the Statements of Net Position

A reconciliation of cash and investments, as presented above, to amounts reported in the Association's Statements of Net Position at:

June 30, 2014

The Illinois Funds money market accounts	\$ 246,146
Investments administered by First Mid-Illinois Bank & Trust	
Money market mutual funds	325
Equity mutual funds	486,190
Bond mutual funds	1,352,792
Total cash and investments	<u>\$ 2,085,453</u>

June 30, 2013

The Illinois Funds money market accounts	\$ 305,259
Investments administered by First Mid-Illinois Bank & Trust	
Money market mutual funds	31,206
Equity mutual funds	500,543
Bond mutual funds	1,144,985
Total cash and investments	<u>\$ 1,981,993</u>

3 ACCOUNTS RECEIVABLE

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

4 CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2014 and June 30, 2013 was as follows:

	Year ended June 30, 2014		
	6/30/2013	Additions	6/30/2014
Capital assets not being depreciated:			
Land	\$ 33,357	\$ -	\$ 33,357
Other depreciable capital assets			
Buildings and improvements	244,492	-	244,492
Equipment	6,748	-	6,748
Total capital assets being depreciated	<u>251,240</u>	<u>-</u>	<u>251,240</u>
Less accumulated depreciation for:			
Buildings and improvements	96,158	5,999	102,157
Equipment	6,748	-	6,748
Total accumulated depreciation	<u>102,906</u>	<u>5,999</u>	<u>108,905</u>
Capital assets being depreciated, net	<u>148,334</u>	<u>(5,999)</u>	<u>142,335</u>
Total capital assets, net	<u>\$ 181,691</u>	<u>\$ (5,999)</u>	<u>\$ 175,692</u>

Depreciation expense for the year ended June 30, 2014 was \$5,999.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2014 and 2013

4 CAPITAL ASSETS - Continued

	Year ended June 30, 2013		
	6/30/2012	Additions	6/30/2013
Capital assets not being depreciated:			
Land	\$ 33,357	\$ -	\$ 33,357
Other depreciable capital assets			
Buildings and improvements	244,492	-	244,492
Equipment	6,748	-	6,748
Total capital assets being depreciated	251,240	-	251,240
Less accumulated depreciation for:			
Buildings and improvements	90,159	5,999	96,158
Equipment	6,748	-	6,748
Total accumulated depreciation	96,907	5,999	102,906
Capital assets being depreciated, net	154,333	(5,999)	148,334
Total capital assets, net	<u>\$ 187,690</u>	<u>\$ (5,999)</u>	<u>\$ 181,691</u>

Depreciation expense for the year ended June 30, 2013 was \$5,999.

5 SIGNIFICANT TRANSACTIONS WITH THE PRIMARY GOVERNMENT

During the years ended June 30, 2014 and 2013, the Association had an agreement with Eastern Illinois University to coordinate the University's alumni activities. The University agreed to provide the Association with money or in-kind services in an amount not to exceed the Association's cost of coordinating these activities. The Association has also agreed to pay the University for all facilities, services, and resources used. The payment is to be either in the form of money or its equivalent in services or resources.

During the years ended June 30, 2014 and 2013, the University provided the Association with \$16,952 and \$14,362, respectively, in services in accordance with the contract.

In fulfilling its fiscal years 2014 and 2013 contracts with the University, the Association incurred \$137,829 and \$72,214 respectively, in expenses and \$34,083 and \$30,500, respectively, of in-kind expenses and budget expended at the University. Included in the fiscal years 2014 and 2013 expenses of \$137,829 and \$72,214, respectively, are unrestricted gifts/grants of \$17,467 and \$11,963, respectively, to the University. In addition, the Association provided the use of its facilities at no charge to the University both years. The value of these facilities were \$35,739 and \$39,866 for the years ended June 30, 2014 and June 30, 2013, respectively. These amounts are not reflected in the financial statements. Since fiscal year 1984, the Association has provided \$747,563 more in benefits than it has received from the University.

Pursuant to governmental accounting standards, the Association is required to recognize as revenue and expense those on-behalf payments for fringe benefits made by the State of Illinois to the State Universities Retirement System for University employees who are supervised by the Association. These payments (estimated at \$17,131 in 2014 and \$16,138 in 2013) are included in the amounts shown as budget allocation from the University and budget expended at the University in the Statements of Revenues, Expenses and Changes in Net Position.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2014 and 2013

6 ROYALTIES

The Association has an agreement with an insurance company to provide products to Alumni during fiscal year 2014. During fiscal year 2013, they had an agreement with the insurance company and a tour operator. The Association receives royalties from tours formed and various insurance products sold to Alumni. In fiscal year 2014 the Association received \$16,414 in royalties from AIA insurance. In fiscal year 2013 the Association received royalties of \$15,491 (\$14,582 from AIA Insurance and \$909 from AHI Travel).

7 RISK MANAGEMENT

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

8 FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating expenses by functional classification for the years ended June 30, 2014 and 2013 are summarized as follows:

	June 30	
	2014	2013
Institutional Support	\$ 149,104	\$ 99,928
Depreciation	5,999	5,999
Total	<u>\$ 155,103</u>	<u>\$ 105,927</u>