

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.
(A COMPONENT UNIT OF EASTERN ILLINOIS UNIVERSITY)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
AND
INDEPENDENT AUDITOR'S REPORT

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

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EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

ALUMNI ASSOCIATION OFFICIALS

June 30, 2017

The Alumni Association Board of Directors include:

Mr. Terry Prillaman, President	Ms. Mary Anne Hanner
Mr. Christopher Swing, Vice President	Mr. Gary Hull
Mr. Michelle Ochs, Secretary-Treasurer	Mr. Marty Morgan
Mr. Ken Baker	Mr. Nick Owens
Mr. Gary Ballinger	Ms. Peggy Stankoven
Mr. Mike Carter	Ms. Julie Sterling
Mr. Ron Deedrick	Ms. Bonita Tillman
Mr. Matt Ewald	Mr. Kenneth Spells
Ms. Chelsey Gerstencker	Mr. Alan Zuber
Mr. Timothy Hamann	Ms. Carol Zuhone

Mr. Al Longtin, EIU Foundation Member Ex-Officio

Mr. Tom DuBois, Immediate Past President (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. Lauren Holsapple Clapp	Assistant Chief Accountant
Ms. Christy Turner	Assistant Director, Alumni Services

Alumni Association office is located at:

Brainard House
1548 Fourth Street
Charleston, IL 61920

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

INDEPENDENT AUDITOR'S REPORT

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 business-type activities of Eastern Illinois University Alumni Association, Inc. (the Association), a component unit of the State of Illinois and Eastern Illinois University, as of and for the years ended June 30, 2017 and 2016, 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 audit 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 risk 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 business-type activities of Eastern Illinois University Alumni Association, Inc. as of June 30, 2017 and 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 December 14, 2017, 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.

Doehring, Winders & Co. LLP

Mattoon, Illinois
December 14, 2017

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

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 the business-type activities of Eastern Illinois University Alumni Association, Inc. (the Association), component unit of the State of Illinois and Eastern Illinois University, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated December 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit 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 opinions 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association'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 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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* (Continued)

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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Doehring, Winders & Co. LLP

Mattoon, Illinois
December 14, 2017

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, 2017 and 2016. 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, 2017, the Association's net position increased by \$106,826 to \$2,356,293. This is attributable to various factors. The Association's operating expenses exceeded operating income by \$23,747 and nonoperating revenues exceeded nonoperating expenses by \$130,573. Net investment income was \$30,081, and the increase in fair value of investments was \$117,080.

During the year ended June 30, 2016, the Association's net position decreased by \$5,615 to \$2,249,467. This is attributable to various factors. The Association's operating expenses exceeded operating income by \$982 and nonoperating expenses exceeded nonoperating revenues by \$4,633. Net investment income was \$32,329, and the decrease in the fair value of investments was \$13,167.

Condensed Financial Information

Condensed Statement of Net Position June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Current assets	\$ 963,633	\$ 996,487	\$ 740,119
Noncurrent assets			
Capital	157,695	163,694	169,693
Other	1,245,870	1,089,312	1,345,319
Total noncurrent assets	<u>1,403,565</u>	<u>1,253,006</u>	<u>1,515,012</u>
Total assets	<u>\$ 2,367,198</u>	<u>\$ 2,249,493</u>	<u>\$ 2,255,131</u>
Liabilities			
Current liabilities	\$ 10,905	\$ 26	\$ 49
Total liabilities	<u>10,905</u>	<u>26</u>	<u>49</u>
Net position			
Net investment in capital assets	157,695	163,694	169,693
Unrestricted	<u>2,198,598</u>	<u>2,085,773</u>	<u>2,085,389</u>
Total net position	<u>2,356,293</u>	<u>2,249,467</u>	<u>2,255,082</u>
Total liabilities and net position	<u>\$ 2,367,198</u>	<u>\$ 2,249,493</u>	<u>\$ 2,255,131</u>

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Condensed Financial Information - Continued

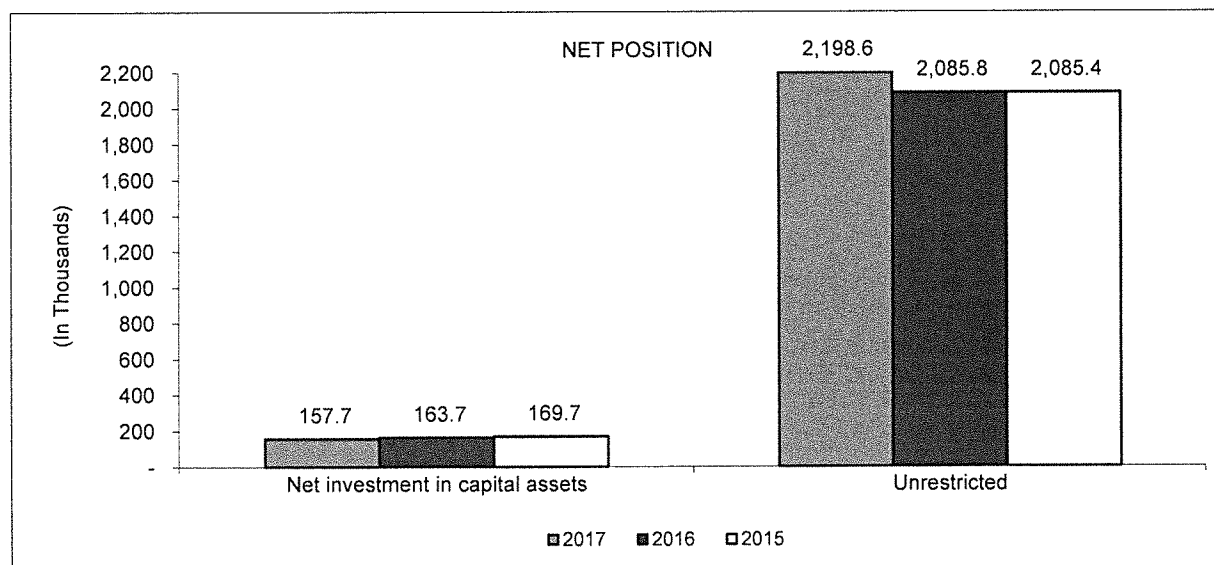
As of June 30, 2017 and 2016, Association assets totaled \$2,367,198 and \$2,249,493, respectively. The largest asset of the Association in either year is its investments of \$2,110,440 at June 30, 2017 and \$1,863,279 at June 30, 2016. The \$247,161 increase in investments in 2017 is due to the \$30,081 investment income (net of fees) reinvested, the \$117,080 increase in the fair value of investments as of June 30, 2017, and a transfer from operating funds of \$100,000. For fiscal year 2016, the \$19,163 increase in investments is due to the \$32,329 investment income (net of fees) reinvested, less the \$13,167 decrease in the fair value of investments as of June 30, 2016.

The Association's current assets of \$963,633 and \$996,487 as of June 30, 2017 and 2016, respectively, were sufficient to cover the current liabilities of \$10,905 and \$26, respectively. The current ratio is \$88 of current assets for every \$1 of current liabilities in fiscal year 2017 and was \$38,326 in current assets for every \$1 in current liabilities for fiscal year 2016.

There were no material difference in liabilities from fiscal year 2017 to 2016.

There were material changes in total net position between fiscal years 2017 and 2016. The change is due to an improvement in market performance of investments held by the Association during 2017.

The following graph shows net assets by classification and restriction:



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

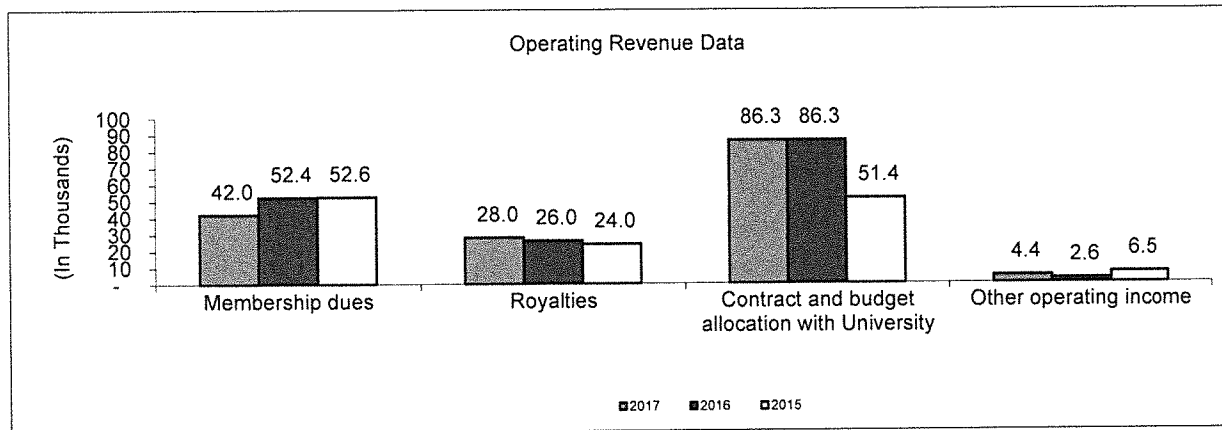
	2017	2016	2015
Operating revenues	\$ 160,681	\$ 167,306	\$ 134,440
Operating expenses	184,428	168,288	135,757
Operating (loss)	(23,747)	(982)	(1,317)
Net non-operating revenues (expenses)	130,573	(4,633)	(14,884)
Increase (decrease) in net position	106,826	(5,615)	(16,201)
Net position			
Net position-beginning of year	2,249,467	2,255,082	2,271,283
Net position-end of year	<u>\$ 2,356,293</u>	<u>\$ 2,249,467</u>	<u>\$ 2,255,082</u>

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Operating Revenues

Total operating revenues for fiscal years 2017 and 2016 were approximately \$160.7 thousand and \$167.3 thousand, respectively. In 2017 and 2016, the majority of the operating revenue was from membership dues, royalty income, service contract and budget allocation with the University.



Membership Dues

Membership dues assist in covering the cost of keeping in touch with alumni. The benefits from the membership include subscription to "ForeverEIU" 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
Group Promotional Annual Membership	\$ 25
Harris Promotional Annual Membership	\$ 25
Group Promotional Annual Family Membership	\$ 40
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 memberships increased during fiscal years 2017 and 2016. The 2017 increase of 252 was mainly due to an increase in complimentary memberships, and new graduate memberships which was offset by a decrease in the annual memberships and annual family memberships. The 2016 increase of 5 was mainly due to a netting of increased annual memberships and promotional memberships that were offered. Total membership dues income was approximately \$42.0 thousand for 2017 and \$52.4 thousand for 2016. At June 30, 2017, 2016, and 2015, the Association had the following membership breakdown:

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Membership Dues - Continued

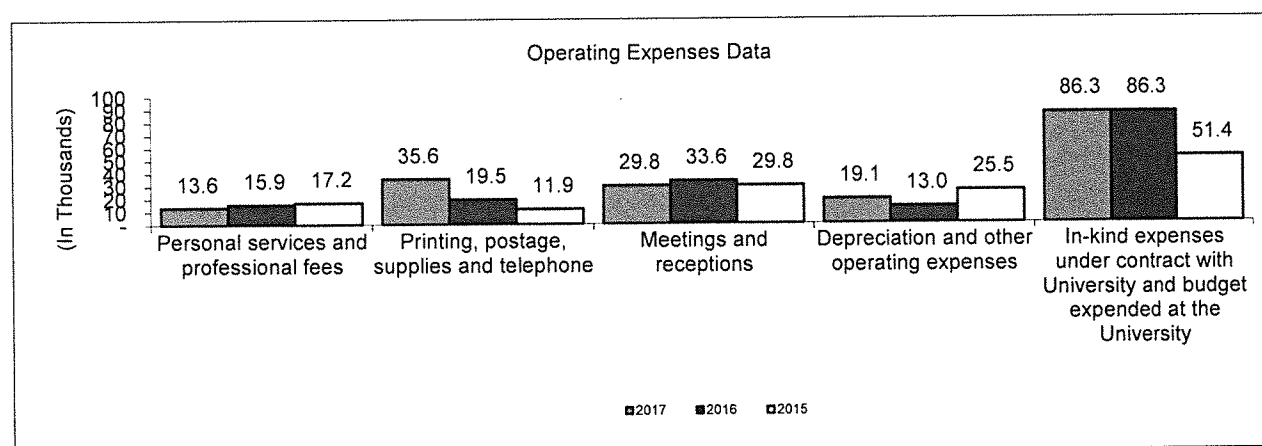
	2017	2016	2015
Complimentary Annual Memberships	624	-	-
New Graduate Memberships	283	163	200
Group Promotional Annual Membership	-	-	15
Harris Promotional Annual Membership	1	34	77
Group Promotional Annual Family Membership	-	-	2
Annual Memberships	759	1,089	1,000
Annual Family Memberships	129	274	274
Life Memberships	303	288	281
Family Life Memberships	119	114	109
Senior Life Memberships	40	42	40
Senior Family Life Memberships	14	16	17
Total Memberships	2,272	2,020	2,015

Service Contract and Budget Allocation from the University

There were no material difference in service contract and budget allocation from the University from fiscal year 2017 to 2016.

Operating Expenses

Operating Expenses for the years ended June 30, 2017 and 2016, totaled \$184,428 and \$168,288 respectively. Of the total for 2017, \$86,276, or 47%, was in-kind expenses under contract with the University, \$29,816, or 16%, was meeting and receptions, and \$35,634, or 19%, was printing, postage, supplies and telephone. Of the total for 2016, \$86,289, or 51%, was in-kind expenses under contract with the University, \$33,644, or 20%, was meeting and receptions, and \$19,470, or 12%, was printing, postage, supplies and telephone. The breakout by expense is highlighted below:



Other

The investment income of \$147,161 and \$19,162 for the years ended June 30, 2017 and 2016 was the largest source of nonoperating revenue each year. This is made up of interest and dividends earned of \$30,081 plus an increase in fair market value of investments of \$117,080 for 2017 and interest and dividends earned of \$32,329 less a decrease in fair market value of investments of \$13,167 for 2016. The increase in FY17 and decrease in FY16 in the fair market values are primarily due to fluctuations in interest rates and market conditions.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Other - Continued

Gifts and grants to the University of \$10,858 and \$18,795 for the years ended June 30, 2017 and 2016 were the largest source of nonoperating expenses each year. The Association awarded \$5,730 and \$5,000 of scholarships to students in fiscal years 2017 and 2016 respectively.

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,		
	2017	2016	2015
Cash provided (used) by:			
Operating activities	\$ (3,785)	\$ 1,258	\$ 5,143
Noncapital financing activities	(16,588)	(23,795)	(19,693)
Investing activities	(100,000)	-	-
Net (decrease) in cash and cash equivalents	(120,373)	(22,537)	(14,550)
Cash-beginning of year	209,059	231,596	246,146
Cash-end of year	<u>\$ 88,686</u>	<u>\$ 209,059</u>	<u>\$ 231,596</u>

For fiscal year 2017 and 2016, membership dues were the single largest source of funds included in operating activities totaling \$43,160, while in 2016 totaling \$50,630. The payments to suppliers totaled \$79,390 for 2017 and \$78,009 for 2016. The use of funds included in noncapital financing activities during 2017 and 2016 are various gifts to the University of \$10,858 and \$18,795, respectively, and the awarding of scholarships to students of \$5,730 and \$5,000 for 2017 and 2016 respectively. For investing activities, \$100,000 was transferred from operating cash to purchase investments during fiscal year 2017. In addition, all of the dividend and interest income received in fiscal year 2017 and 2016 of \$30,081 and \$32,330 respectively, was 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. Any new revenue generated in the coming year is not expected to be significant. In addition, additional improvements will be made to Brainard House in FY18 and these expenditures were anticipated when the annual budget was formulated.

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 88,686	\$ 209,059
Investments	869,570	779,117
Accounts receivable	4,250	5,300
Prepaid expense	<u>1,127</u>	<u>3,011</u>
Total current assets	<u>963,633</u>	<u>996,487</u>
Noncurrent assets:		
Accounts receivable	5,000	5,150
Investments	1,240,870	1,084,162
Capital assets, net of accumulated depreciation	<u>157,695</u>	<u>163,694</u>
Total noncurrent assets	<u>1,403,565</u>	<u>1,253,006</u>
Total assets	<u><u>\$ 2,367,198</u></u>	<u><u>\$ 2,249,493</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	<u>\$ 10,905</u>	<u>\$ 26</u>
Total liabilities	<u>10,905</u>	<u>26</u>
NET POSITION		
Net investment in capital assets	157,695	163,694
Unrestricted	<u>2,198,598</u>	<u>2,085,773</u>
Total net position	<u>2,356,293</u>	<u>2,249,467</u>
Total liabilities and net position	<u><u>\$ 2,367,198</u></u>	<u><u>\$ 2,249,493</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, 2017 and 2016

	2017	2016
OPERATING REVENUES:		
Membership dues	\$ 41,960	\$ 52,380
Royalties	28,000	26,000
Service contract with the University	37,108	41,336
Budget allocation from the University	49,168	44,953
Gifts	1,470	1,210
Other operating income	2,975	1,427
	<u>160,681</u>	<u>167,306</u>
OPERATING EXPENSES:		
Personal services	2,972	5,014
Printing	25,622	8,561
Postage, telephone and supplies	10,012	10,909
Dues and subscriptions	17	299
Meetings and receptions	29,816	33,644
Professional fees	10,615	10,915
Insurance	4,315	4,360
Bad debt expense	2,050	-
Bank fees	651	836
Building repairs and maintenance	6,083	1,462
In-kind expenses under contract with the University		
Personnel services	36,203	38,663
Rent, utilities and maintenance	905	2,673
Budget expended at the University	49,168	44,953
Depreciation expense	5,999	5,999
	<u>184,428</u>	<u>168,288</u>
Total operating expenses	<u>184,428</u>	<u>168,288</u>
Operating loss	<u>(23,747)</u>	<u>(982)</u>
NONOPERATING REVENUE (EXPENSES)		
Investment income:		
Interest and dividends, net of investment fees	30,081	32,329
Net increase (decrease) in fair market value of investments	117,080	(13,167)
Scholarships	(5,730)	(5,000)
Gifts/grants to the University	(10,858)	(18,795)
	<u>130,573</u>	<u>(4,633)</u>
Net nonoperating revenues (expenses)	<u>130,573</u>	<u>(4,633)</u>
Increase (decrease) in net position	106,826	(5,615)
NET POSITION		
Net position - beginning of year	<u>2,249,467</u>	<u>2,255,082</u>
Net position - end of year	<u>\$ 2,356,293</u>	<u>\$ 2,249,467</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, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Membership dues	\$ 43,160	\$ 50,630
Gifts	1,470	1,210
Royalties	28,000	26,000
Other receipts	2,975	1,427
Payments to suppliers and vendors	(79,390)	(78,009)
Net cash (used) provided by operating activities	(3,785)	1,258
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Scholarships	(5,730)	(5,000)
Gifts/grants to the University/Foundation	(10,858)	(18,795)
Net cash (used) by noncapital financing activities	(16,588)	(23,795)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	30,081	32,330
Proceeds from investments sold	769,390	523,679
Purchase of investments	(899,471)	(556,009)
Net cash (used) by investing activities	(100,000)	-
Net (decrease) in cash and cash equivalents	(120,373)	(22,537)
Cash and cash equivalents, beginning of year	209,059	231,596
Cash and cash equivalents, end of the year	\$ 88,686	\$ 209,059
RECONCILIATION OF OPERATING (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating (loss)	\$ (23,747)	\$ (982)
Adjustments to reconcile operating (loss) to net cash from operating activities:		
Depreciation expense	5,999	5,999
Bad debt expense	2,050	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(850)	(1,750)
(Increase) decrease in prepaid expense	1,884	(1,986)
(Decrease) increase in accounts payable	10,879	(23)
Net cash (used) provided by operating activities	\$ (3,785)	\$ 1,258
NONCASH INVESTING TRANSACTIONS		
Change in fair market value of investments	\$ 15,431	\$ (21,061)

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, 2017 and 2016

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, 2017 and 2016

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.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2017 and 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

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

Classification of Revenues

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

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as investment income and other revenue sources that are defined as Nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Propriety and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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, 2015, or later, which impact the Association:

GASB Statement No. 72 - *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The Statement does affect the Alumni Association, but does not significantly change the financial reporting of the Association.

GASB Statement No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the uses of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement is effective for periods beginning after June 15, 2015. This 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.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2017 and 2016

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

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 \$10,777 and \$9,053 respectively, for the years ended June 30, 2017 and 2016.

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 to no more than 50% equities and the remainder in fixed income mutual funds, with approximately 85% of fixed income being investment grade. Although the bonds in these funds are actively administered by outside managers selected by First Mid-Illinois Bank & Trust, 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, 2017

Average Maturity
Less than 1 year
1-5 years
5-10 years
Total

Money Market	Mutual Bond Funds	Total
\$ 10,395	\$ -	\$ 10,395
-	125,141	125,141
-	1,115,729	1,115,729
\$ 10,395	\$ 1,240,870	\$ 1,251,265

June 30, 2016

Average Maturity
Less than 1 year
1-5 years
5-10 years
Total

Money Market	Mutual Bond Funds	Total
\$ 8,687	\$ -	\$ 8,687
-	121,954	121,954
-	962,208	962,208
\$ 8,687	\$ 1,084,162	\$ 1,092,849

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2017 and 2016

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, 2017

Quality Rating	Money Market	Mutual Bond Funds	Total
AAA	\$ 10,395	\$ -	\$ 10,395
Not Rated	-	1,240,870	1,240,870
	\$ 10,395	\$ 1,240,870	\$ 1,251,265

June 30, 2016

Quality Rating	Money Market	Mutual Bond Funds	Total
AAA	\$ 8,687	\$ -	\$ 8,687
Not Rated	-	1,084,162	1,084,162
	\$ 8,687	\$ 1,084,162	\$ 1,092,849

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, 2017 and 2016

Fair Value Measurements and Reconciliation to the Statements of Net Position

The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Association has the following recurring fair value measurements, reconciled to tie to amounts reported in the Association's Statements of Net Position at:

June 30, 2017	Level 1
The Illinois Funds money market accounts	\$ 88,686
Investments administered by First Mid-Illinois Bank & Trust	
Money market mutual funds	10,395
Equity mutual funds	859,175
Bond mutual funds	1,240,870
Total cash and investments	<u>\$ 2,199,126</u>
 June 30, 2016	 Level 1
The Illinois Funds money market accounts	\$ 209,059
Investments administered by First Mid-Illinois Bank & Trust	
Money market mutual funds	8,687
Equity mutual funds	770,430
Bond mutual funds	1,084,162
Total cash and investments	<u>\$ 2,072,338</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, 2017 and June 30, 2016 was as follows:

	Year ended June 30, 2017		
	6/30/2016	Additions	6/30/2017
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	114,155	5,999	120,154
Equipment	6,748	-	6,748
Total accumulated depreciation	<u>120,903</u>	<u>5,999</u>	<u>126,902</u>
Capital assets being depreciated, net	<u>130,337</u>	<u>(5,999)</u>	<u>124,338</u>
Total capital assets, net	<u>\$ 163,694</u>	<u>\$ (5,999)</u>	<u>\$ 157,695</u>

Depreciation expense for the year ended June 30, 2017 was \$5,999.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2017 and 2016

4 CAPITAL ASSETS - Continued

	Year ended June 30, 2016		
	6/30/2015	Additions	6/30/2016
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	108,156	5,999	114,155
Equipment	6,748	-	6,748
Total accumulated depreciation	114,904	5,999	120,903
Capital assets being depreciated, net	136,336	(5,999)	130,337
Total capital assets, net	\$ 169,693	\$ (5,999)	\$ 163,694

Depreciation expense for the year ended June 30, 2016 was \$5,999.

5 SIGNIFICANT TRANSACTIONS WITH THE PRIMARY GOVERNMENT

During the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the University provided the Association with \$37,108 and \$41,336, respectively, in services in accordance with the contract.

In fulfilling its fiscal years 2017 and 2016 contracts with the University, the Association incurred \$114,740 and \$105,794 respectively, in expenses and \$86,276 and \$86,289, respectively, of in-kind expenses and budget expended at the University. Included in the fiscal years 2017 and 2016 expenses of \$114,740 and \$105,794, respectively, are unrestricted gifts/grants of \$16,588 and \$23,795, 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 \$53,905 and \$37,240 for the years ended June 30, 2017 and June 30, 2016, respectively. These amounts are not reflected in the financial statements. Since fiscal year 1984, the Association has provided \$824,650 more in benefits than it has received from the University.

EASTERN ILLINOIS UNIVERSITY
ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years Ended June 30, 2017 and 2016

5 SIGNIFICANT TRANSACTIONS WITH THE PRIMARY GOVERNMENT - Continued

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 \$49,168 in 2017 and \$44,953 in 2016) 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.

6 ROYALTIES

The Association has an agreement with an insurance company to provide products to Alumni during fiscal years 2017 and 2016. In fiscal year 2017, the Association received \$28,000 in royalties from AIA insurance and \$26,000 from them in fiscal year 2016.

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, 2017 and 2016 are summarized as follows:

	June 30	
	2017	2016
Institutional Support	\$ 178,429	\$ 162,289
Depreciation	5,999	5,999
Total	<u>\$ 184,428</u>	<u>\$ 168,288</u>