

GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION

FINANCIAL AUDIT

For The Year Ended June 30, 2008

**PERFORMED AS SPECIAL ASSISTANT AUDITORS
FOR THE AUDITOR GENERAL,
STATE OF ILLINOIS**

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
FINANCIAL AUDIT**

For The Year Ended June 30, 2008

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**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
For The Year Ended JUNE 30, 2008**

AGENCY OFFICIALS

President

Mr. Gerald McIlvain

Chief Executive Officer,
Associate Vice President for Institutional
Advancement & Alumni Relations

Ms. Rosemary D. Hulett

Fiscal Officer

Ms. Karen Kissel

Agency offices are located at:

Governors State University
University Park, IL 60466

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
FINANCIAL STATEMENT REPORT**

SUMMARY

The audit of the accompanying financial statements of Governors State University Alumni Association was performed by Clifton Gunderson LLP.

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

Independent Auditor's Report

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Governors State University Alumni Association

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of Governors State University Alumni Association, a component unit of Governors State University and the State of Illinois as of and for the year ended June 30, 2008, which collectively comprise the Governors State University Alumni Association's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Governors State University Alumni Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Governors State University Alumni Association's 2007 basic financial statements and, in our report dated December 12, 2007, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Governors State University Alumni Association, as of June 30, 2008 and the respective changes in net assets and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 6 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

CLIFTON GUNDERSON LLP
Kankakee, Illinois

November 21, 2008

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2008**

PURPOSE

This analysis is an integral part of the financial statements whose purpose is to provide an objective and easy-to-read analysis of the Alumni Association's financial activities based on currently known facts, decisions, and/or conditions.

The following discussion and analysis provides an overview of the Alumni Association's financial activities.

The annual report consists of the Management's Discussion and Analysis, the three basic financial statements and the notes to the financial statements that provide information on the Alumni Association as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Each of these statements is discussed below.

STATEMENT OF NET ASSETS

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net assets represent the Alumni Association's equity and are a way to measure the financial health of an entity.

Modified Statement of Net Assets

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Assets			
Cash and cash equivalents	\$ 176,894	\$ 194,873	-9%
Total assets	<u>176,894</u>	<u>194,873</u>	<u>-9%</u>
Liabilities			
Accounts payable	<u>1,106</u>	<u>8,522</u>	<u>-87%</u>
Net assets			
Restricted for:			
Nonexpendable	77,152	77,152	0%
Expendable	7,460	7,975	-6%
Unrestricted	<u>91,176</u>	<u>101,224</u>	<u>-10%</u>
Total net assets	<u>\$ 175,788</u>	<u>\$ 186,351</u>	<u>-6%</u>

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2008**

STATEMENT OF NET ASSETS (continued)

Assets

The Alumni Association remains extremely liquid as 100% of total assets consist of cash and cash equivalents. Discussions are in progress to explore an aggressive investment strategy.

Liabilities

The accounts payable balance consists of payables to vendors and the University for Alumni Association expenses. There is no long-term debt.

Net Assets

Nonexpendable restricted net assets are the equity in the three endowment funds set up to provide scholarship money to qualified students and had no movement during the year. Expendable restricted net assets are monies restricted by donors to specific forms of University support or scholarship awards. Unrestricted net assets may be used by the Alumni Association consistent with the bylaws for expenses (e.g. operating expenses, insurance, additional University support, alumni activities, etc.)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) display the fiscal activity for the period and its effect on net assets. The statement is divided into two basic sections:

- Operating revenue and expense and
- Non-operating revenues and expense (includes contributions, investment income/losses, additions to permanent endowments, contributions of capital assets and other non-operating income and expense)

Operating revenues are the result of "exchange" transactions where both parties to the transaction each receive a material benefit. Non-operating revenue occurs when only one party benefits, as in the case of contributions or where the revenue is passive in nature as with earnings from investments. Operating expenses include all expenses incurred to provide services. Non-operating expenses include all other expenses.

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2008**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (continued)

The changes in net assets for fiscal years 2008 and 2007 are summarized below:

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Operations			
Revenues			
Budget allocation from GSU	\$ 11,694	\$ 5,213	124%
Alumni membership & events	40,507	50,876	-20%
Total operating revenues	<u>52,201</u>	<u>56,702</u>	<u>-7%</u>
Expenses			
Scholarships	4,420	2,895	53%
General expenses	14,345	14,780	-3%
Alumni events	24,367	28,129	-13%
Donation to GSU Foundation	15,000	-	100%
Budget allocation from GSU	11,694	5,213	124%
Total operating expenses	<u>69,826</u>	<u>51,017</u>	<u>37%</u>
Net operating income (loss)	<u>(17,625)</u>	<u>5,072</u>	<u>-447%</u>
Non-operating revenues and expenses			
Contributions	42	525	-92%
Investment income	7,020	8,456	-17%
Total non-operating activity	<u>7,062</u>	<u>8,981</u>	<u>-21%</u>
Change in net assets	(10,563)	14,053	-175%
Net assets - beginning of year	<u>186,351</u>	<u>172,298</u>	<u>8%</u>
Net assets – end of year	<u>\$ 175,788</u>	<u>\$ 186,351</u>	<u>-6%</u>

Operating Revenues and Expenses

The Budget Allocation from GSU is the total support given to the Advancement Office for the fiscal year multiplied by the ratio of alumni memberships to the total alumni of the University. For fiscal year 2008, the total number of alumni memberships increased as the Alumni Association included free memberships. Free memberships are issued to all graduates for their first year after graduation. By including these free memberships, it has caused an increase in the Budget allocation from GSU line item.

Alumni events revenue decreased due to declines in attendance at events.

During fiscal year 2008, the Alumni Association donated \$15,000 to the GSU Foundation. This donation included \$10,000 to the GSU Promise Scholarship and \$5,000 to the Presidential Installation.

Investment income decreased due to lower interest rates in the market.

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2008**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (continued)

Non-operating Revenues and Expenses

Contribution revenue decreased as the role of the Alumni Association continued its focus on Alumni events and membership.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the cash receipt and cash payment activity during the year. This statement also helps users assess the Alumni Association's ability to generate net cash flows and to meet its obligations as they come due, as well as its need for external financing.

Modified Statement of Cash Flows		
	<u>2008</u>	<u>2007</u>
Net cash provided (used) by operating activities	\$ (25,041)	\$ 10,042
Net cash provided by noncapital financing activities	42	525
Net cash provided by investing activities	7,020	8,456
Net cash increase (decrease)	\$ (17,979)	\$ 19,023

In its role as liaison between GSU alumni and the University, the purpose of the Alumni Association is to perpetuate relationships between the University and its alumni. The Alumni Association plans to continue to foster these relationships by the establishment and expansion of alumni clubs and with increased and expanded alumni program offerings and services. Projected incremental revenue to the Alumni Association will come from increased membership initiatives and income from increased alumni programs and workshops.

GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
Statement of Net Assets
as of June 30, 2008
With Comparative Totals for June 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 1 & 2)	\$ 176,894	\$ 194,873
Total Current Assets	<u>176,894</u>	<u>194,873</u>
Total Assets	<u>176,894</u>	<u>194,873</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,106	8,522
Total Current Liabilities	<u>1,106</u>	<u>8,522</u>
Total Liabilities	<u>1,106</u>	<u>8,522</u>
NET ASSETS		
Restricted for:		
Nonexpendable (Note 1)	77,152	77,152
Expendable (Note 1)		
Scholarships, University support and other	7,460	7,975
Unrestricted (Note 1)	<u>91,176</u>	<u>101,224</u>
Total Net Assets	<u>\$ 175,788</u>	<u>\$ 186,351</u>

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

GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2008
With Comparative Totals For June 30, 2007

OPERATIONS	2008	2007
Revenues		
Alumni membership and events	\$ 40,507	\$ 50,876
Budget allocation from GSU (Note 4)	11,694	5,213
Total operating revenues	<u>52,201</u>	<u>56,089</u>
Expenses		
Scholarships	4,420	2,895
General expenses	14,345	14,780
Alumni events	24,367	28,129
Budget allocation from GSU (Note 4)	11,694	5,213
Donations to GSU Foundation	15,000	-
Total operating expenses	<u>69,826</u>	<u>51,017</u>
Operating income (loss)	<u>(17,625)</u>	<u>5,072</u>
NON-OPERATING REVENUES (EXPENSES)		
Contributions	42	525
Investment income	7,020	8,456
Net non-operating revenues	<u>7,062</u>	<u>8,981</u>
Change in net assets	(10,563)	14,053
Total net assets, beginning of year	<u>186,351</u>	<u>172,298</u>
Total net assets, end of year	<u>\$ 175,788</u>	<u>\$ 186,351</u>

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

GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION

Statement of Cash Flows

For the Year Ended June 30, 2008

With Comparative Totals for June 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Alumni membership and events	\$ 40,507	\$ 50,876
General and operating expenses	(61,128)	(37,939)
Payments of scholarships	<u>(4,420)</u>	<u>(2,895)</u>
Net cash provided (used) by operating activities	<u>(25,041)</u>	<u>10,042</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions	<u>42</u>	<u>525</u>
Net cash provided by noncapital financing activities	<u>42</u>	<u>525</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend income	<u>7,020</u>	<u>8,456</u>
Net cash provided by investing activities	<u>7,020</u>	<u>8,456</u>
Cash increase (decrease)	(17,979)	19,023
Cash and cash equivalents - beginning of year	<u>194,873</u>	<u>175,850</u>
Cash and cash equivalents - end of year	<u>\$ 176,894</u>	<u>\$ 194,873</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (17,625)	\$ 5,072
Adjustments used to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in net assets		
Accounts receivable	-	3,777
Accounts payable	<u>(7,416)</u>	<u>1,193</u>
Net cash provided (used) by operating activities	<u>\$ (25,041)</u>	<u>\$ 10,042</u>

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

GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Governors State University Alumni Association (the "Alumni Association") was incorporated as a not-for-profit organization on January 30, 1987. The Alumni Association provides support services to Governors State University (the "University"). Prior to incorporation, the Alumni Association existed as a University department with fund raising activities coordinated by an Alumni Advisory Board and the Governors State University Foundation.

The Alumni Association follows Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations Are Component Units. This GASB statement provided criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government. The Alumni Association is reported as a component unit of Governors State University, and is discretely presented on the University's financial statements. The Alumni Association is also a component unit of the State of Illinois and is included in the State of Illinois Comprehensive Annual Financial Report.

Basis of Accounting

For financial statement purposes, the Alumni Association is considered a special purpose government engaged only in business-type activities. Accordingly, the Alumni Association's financial statements have been presented using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. When both restricted and unrestricted resources are available for use, it is the Alumni Association's policy to use restricted resources first, then unrestricted resources as needed.

Basis of Presentation

In accordance with GASB Statement No. 20, the Alumni Association is required to follow all applicable GASB pronouncements. In addition, the Alumni Association applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Alumni Association elected not to apply FASB pronouncements issued after November 30, 1989.

Cash Equivalents

In accordance with GASB Statement No. 9, cash equivalents are defined as short-term, highly liquid investments that are both:

- 1) Readily convertible to known amounts of cash
- 2) So near to their maturity that they present insignificant risk of changes in value because of changes in interest rates

GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Alumni 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. Investments purchased or received by gift are carried at market value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets. Investment earnings include dividends, interest, and capital appreciation (both realized and unrealized). Investment fees are netted against investment income. As of June 30, 2008, investments consist of a money market mutual fund totaling \$77,572 which was classified as cash and cash equivalents.

Income Taxes

Governors State University Alumni Association is a non-profit organization, which has been granted tax-exempt status as a public charity under Section 501(c)(3) of the Internal Revenue Code. The Governors State University Alumni Association is required to pay federal and state income taxes only on its net unrelated business income.

Net Assets

The Alumni Association's net assets are classified as follows:

Restricted Net Assets – Expendable

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

Restricted Net Assets – Nonexpendable

Nonexpendable restricted net assets consist of endowment funds. The endowment funds include those funds where donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income.

Unrestricted Net Assets

Unrestricted net assets represent the assets available for current operating expenses of the Alumni Association. There are no restrictions by outside sources on the use of these assets.

GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Revenues

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

Operating Revenues

Operating revenues include activities that have characteristics of exchange transactions.

Non-operating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions such as gifts, contributions, and investment income.

Use of Estimates in Preparing Financial Statements

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Totals

Comparative totals have been presented in the accompanying basic financial statements in order to provide an understanding of changes in the Alumni Association's financial position and operations. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Alumni Association's financial statements for the year ended June 30, 2007, from which the summarized comparative totals were derived.

**GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

NOTE 2 - DEPOSITS AND INVESTMENTS

GASB Statement No. 40 *Deposit and Investment Risk Disclosures*, requires general disclosures by investment type with disclosures of the specific risks those investments are exposed to.

Deposits consist of the following at June 30, 2008:

Deposits:	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash in Bank	\$ 21,075	\$ 21,075
Illinois Funds	<u>78,247</u>	<u>78,247</u>
	<u>\$ 99,322</u>	<u>\$ 99,322</u>

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned. The Federal Deposit Insurance Corporation fully insured the cash in the bank, leaving no uninsured deposits as of June 30, 2008. Illinois funds are arranged and contracted by the Treasurer of the State of Illinois and collateralized as required by that contract. Depositories and brokers are chosen based on stability and longevity, and due to insurance and collateralization, the Alumni Association currently has no custodial credit risk.

Investments consist of the following at June 30, 2008:

Investment	<u>Carrying Amount</u>	<u>Bank Balance</u>
Money Market	<u>\$ 77,572</u>	<u>\$ 77,572</u>

Custodial Credit Risk – Investments: Custodial credit risk is the risk that in the event of custodian failure, investment principal may not be returned. At June 30, 2008, investments consisted solely of money market funds. The money market account was fully insured by the Securities Investor Protection Corporation (SIPC). The Alumni Association currently has no custodial credit risk.

Interest Rate Risk: Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Alumni Association has maintained its funds in highly liquid investments, but has not adopted a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Alumni Association currently has no interest rate risk.

Credit Risk: Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The money market funds were invested in the Morgan Stanley Liquid Asset Fund and are not rated. The Morgan Stanley Liquid Asset Fund invests in debt obligations of high quality and short term maturities.

GOVERNORS STATE UNIVERSITY ALUMNI ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 - LOCALLY HELD FUNDS

The Alumni Association does not receive any appropriated funds from the University. All funds received are initially deposited with the Old Second National Bank, Chicago Heights, Illinois.

NOTE 4 - TRANSACTIONS WITH GOVERNORS STATE UNIVERSITY

The Alumni Association has an ongoing contract with the University which includes provisions requiring the Alumni Association to comply with Section VI of the "University Guidelines 1982 (as amended 1997)" as adopted by the State of Illinois Legislative Audit Commission. The contract requires that the University provide the Alumni Association with accounting and other clerical services at no cost. University officials calculate the value of these services for the year ending June 30, 2008 at \$11,694 including all direct payroll expenses and fringe benefits and are shown as budget allocations from Governors State University on the Statement of Revenues, Expenses, and Changes in Net Assets. The Alumni Association provided the University with support in the amount of \$4,420 for the year ended June 30, 2008.

Included in accounts payable is \$1,055 that is due to the University.

NOTE 5 – SUBSEQUENT EVENT

In July, 2008, the Alumni Association liquidated its money market account and invested the proceeds in mutual funds. Since that time, financial markets as a whole have incurred significant declines in values. As of September 30, the Alumni Association's investment portfolio has also incurred a significant decline in value. However, because the values of individual investments fluctuate with market conditions, the amount of investment losses that the Alumni Association will recognize in its future financial statements, if any, can not be determined.

This information is an integral part of the accompanying financial statements.

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

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Governors State University Alumni Association

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the Governors State University Alumni Association as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Governors State University Alumni Association's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Governors State University Alumni Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Governors State University Alumni Association's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters which we have reported to management of the Alumni Association in a separate letter dated November 21, 2008.

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

Clifton Gunderson LLP

CLIFTON GUNDERSON LLP
Kankakee, Illinois

November 21, 2008