



Crowe Chizek and Company LLC
Member Horwath International

STATE OF ILLINOIS

**THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY
EDWARDSVILLE**

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS

June 30, 2006

(With comparative totals for 2005)

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

STATE OF ILLINOIS
THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
FINANCIAL STATEMENTS
June 30, 2006

CONTENTS

ALUMNI ASSOCIATION OFFICIALS.....	1
SUMMARY	2
REPORT OF INDEPENDENT AUDITORS.....	3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS	9
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS.....	10
STATEMENTS OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS.....	12
REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	20

STATE OF ILLINOIS
THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
ALUMNI ASSOCIATION OFFICIALS

June 30, 2006

The Alumni Association Board of Directors

Mr. Larry R. Lexow, President
Ms. Elzora P. Douglas, Immediate Past President
Mr. Ajay K. Kansal, President Elect
Ms. Marcia Wickenhauser, Vice President
Mr. Christopher Slusser, Vice President Finance
Mrs. Rita Adkins
Mr. SJ Morrison
Ms. Debra O'Neill
Mr. John Simmons
Ms. Janet Sprehe
Mr. Michael Stewart

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

Director of Alumni Affairs	Position Vacant
Assistant Director of Alumni Affairs	Anna Pugh-Dunham
Administrative Assistant	Melissa Ocepek

Alumni Association offices are located at:

Southern Illinois University Edwardsville
B. Barnard Birger Hall
#30 Circle Drive
Edwardsville, Illinois 62026

STATE OF ILLINOIS
THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE

June 30, 2006

FINANCIAL STATEMENT REPORT
SUMMARY

The audit of the accompanying basic financial statements of The Alumni Association of Southern Illinois University Edwardsville (The Association) was performed by Crowe Chizek and Company LLC.

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



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Honorable William G. Holland
Auditor General, State of Illinois
and
The Board of Directors
The Alumni Association of
Southern Illinois University Edwardsville

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of The Alumni Association of Southern Illinois University Edwardsville (the Association), a component unit of Southern Illinois University, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The summarized comparative information of The Alumni Association of Southern Illinois University Edwardsville as of June 30, 2005, were audited by other auditors whose report dated September 20, 2005, expressed an unqualified opinion on those 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 Alumni Association of Southern Illinois University Edwardsville as of June 30 2006, and the changes in its financial position and its cash flows 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 our report dated September 29, 2006, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. 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.


Crowe Chizek and Company LLC

Chicago, Illinois
September 29, 2006

STATE OF ILLINOIS
THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY
EDWARDSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Introduction

Following this discussion and analysis are the financial statements for The Alumni Association of Southern Illinois University Edwardsville (the Association).

During fiscal year 2005, GASB Statement No. 40 *Deposit and Investment Risk Disclosures* was implemented.

This discussion and analysis will identify the financial statements and their relationship to each other, explain significant changes implemented this fiscal year, and outline any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position of the Association.

Financial Statements

The three financial statements presented for fiscal years 2006 and 2005 are the Statements of Net Assets; the Statements of Changes in Revenue, Expenses, and Changes in Net Assets; and the Statements of Cash Flows. The format is intended to provide the financial statement user with a better indication of the resources available to the Association and the existing commitments against those resources.

The Statement of Net Assets for the Association identifies all assets (resources) in order of their liquidity, and lists all liabilities (commitments) in order of their term length. The Statement of Net Assets is presented in a manner that indicates the level of restriction, if any, placed on the net assets. The Association reports \$264,387 in net assets at June 30, 2006, all of which are classified as unrestricted.

STATE OF ILLINOIS

THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY
EDWARDSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2006

Condensed

SIUE Alumni Association Net Assets
(in thousands of dollars)

	<u>FY 2006</u>	<u>FY 2005</u>	<u>% Change</u>
Assets			
Current assets	\$ 212	\$ 170	24.7 %
Noncurrent assets	<u>137</u>	<u>147</u>	<u>-6.8 %</u>
Total assets	<u>349</u>	<u>317</u>	<u>10.1 %</u>
Total current liabilities	<u>88</u>	<u>75</u>	<u>17.3%</u>
Total net assets	<u>\$ 261</u>	<u>\$ 242</u>	<u>7.9%</u>

The Net Assets of the Association increased by 7.9%, due primarily to the increase in the cash and investments accounts held by the Association. Cash and investments in total increased by \$44,832 due in part to a nearly 6% gain on the Association's investment portfolio and an operating surplus from ordinary operations that will be discussed in the next section.

Current assets increased by approximately \$42,000 over Fiscal Year 2005. The SIUE Alumni Association is maintaining a higher level of investments in Money Market instruments than in previous years to take advantage of higher short-term investment rates and in anticipation of the development of a long-term strategy for effective utilization of the funds.

Current liabilities increased by 17.3%. This increase can be attributed to a change in how the Alumni Association recognizes its income from Life Membership Dues. According to current policy, which was implemented in FY 2004, life dues are recognized over a 5 year period to better match the period of time over which these members will receive their benefits. This policy has the effect of lowering the amount of revenue recorded and increasing the liabilities for the first few years of implementation in comparison to previous policy.

Regarding the Statement of Net Assets overall, the 7.9% increase in net assets was in line with the anticipated increase for the SIUE Alumni Association.

STATE OF ILLINOIS

THE ALUMNI ASSOCIATION OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2006
Condensed

SIUE Alumni Association Revenue, Expenses and Changes in Net Assets (in thousands of dollars)

	<u>FY 2006</u>	<u>FY 2005</u>	<u>% Change</u>
Total operating revenue	\$ 193	\$ 262	-26.3%
Operating expenses:			
Activities	38	19	100.0%
Budget expended at SIUE	105	173	-39.3%
Postage and publications	11	31	-64.5%
Other operating expenses	<u>37</u>	<u>27</u>	<u>37.0%</u>
Total operating expenses	191	250	-23.6%
Operating income	2	12	-83.3%
Non-operating revenue	<u>17</u>	<u>16</u>	<u>6.3 %</u>
Increase in net assets	<u>19</u>	<u>28</u>	<u>-32.1 %</u>
Net assets-July 1	<u>242</u>	<u>214</u>	<u>13.1 %</u>
Net assets-June 30	<u>\$ 261</u>	<u>\$ 242</u>	<u>7.9 %</u>

The Statement of Revenue, Expenses, and Changes in Net Assets details the activity for the fiscal year, including the change in net assets from last year due to this activity. Activity is segregated between operating activity and non-operating activity. The increase in net assets of \$18,808, which is presented near the end of the statement, reflects the overall increase in available financial resources experienced during FY 2006.

The decrease in operating revenue of approximately 26.3% was due primarily to a nearly \$68,000 decrease in budget allocations from SIUE, which is included in the total operating revenue line above. Budget allocations from SIUE represent the salaries and benefits of the employees assigned to the Alumni Association, all of which are provided by the University. During FY 2006, the Director of Alumni Affairs position was vacant. Consequently, the amount of salaries and benefits provided by SIUE decreased significantly. There is a corresponding amount of expense included above under Operating Expenses in the Budget Expended at SIUE category. Since the amounts are equal, this has no impact on the Alumni Association's Net Assets.

Another significant item under operating expenses is the decrease in postage and publications of 64%. In the past, most of these funds were spent on printing the quarterly SIUE Alumni newsletter. This publication was halted in FY 2005 as the Alumni Association and University Marketing and Communications personnel reviewed the publication and determine how best to publish the information while achieving the maximum benefit for the Alumni Association and University. There was one issue produced in FY 2005 and no issues in FY 2006, which accounts for an approximately \$10,000 decrease in publication costs.

STATE OF ILLINOIS
THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY
EDWARDSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the Year ended June 30, 2006

Non-operating revenue increased by approximately 6.3% due entirely to a slight increase in Investment earnings in FY 2006 over FY 2005.

The final statement presented is the Statement of Cash Flows. The primary purpose of this statement is to categorize all cash transactions into operating, financing, and investing activities, and reconcile the cash flows used by operating activities to the operating revenue in excess of expenses as presented on the Statement of Revenue, Expenses and Changes in Net Assets. During the fiscal year, the Alumni Association experienced a decrease in cash and cash equivalents of \$22,746 due to a deposit made on the new Capital One Investment.

Cash flows from operating activities were \$26,920, an increase from the last fiscal year. Most items were stable compared to last year including major revenue such as dues from Association memberships and commissions from the various Alumni Association programs offered. Cash Flows from Investing Activities consist merely of interest income, and the purchase of investments and there are no other significant variances or items to point out on the Statement of Cash Flows for FY 2006.

Facts, Decisions, or Conditions Significantly Affecting Net Assets

There are no facts, decisions, or conditions significantly affecting net assets other than those items explained in the previous section of this discussion and analysis. However, please see the notes to the financial statements that include additional details and further explanations of data presented in the financial statements. The notes are an integral part of the financial statements and should be included as part of any review or analysis.

STATE OF ILLINOIS
 THE ALUMNI ASSOCIATION
 OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
 STATEMENTS OF NET ASSETS
 June 30, 2006
 (With comparative totals for 2005)

	<u>2006</u>	<u>2005</u>
ASSETS		
Current assets		
Cash (Note 3)	\$ 42,678	\$ 65,424
Short-term investments (Note 3)	164,462	87,200
Interest receivable	-	783
Other receivables	3,781	7,584
Prepaid expenses	<u>1,025</u>	<u>8,656</u>
Total current assets	211,946	169,647
Noncurrent assets		
Capital assets, net of accumulated depreciation (Note 4)	-	906
Investments (Note 3)	<u>136,762</u>	<u>146,446</u>
Total noncurrent assets	<u>136,762</u>	<u>147,352</u>
Total assets	348,708	316,999
LIABILITIES		
Current liabilities		
Accounts payable, SIUE	1,095	5,802
Accounts payable, SIUE Foundation (Note 7)	7,582	-
Accounts payable, other	5,081	8,152
Deposits held in custody	1,079	1,079
Deferred revenue	<u>73,327</u>	<u>60,230</u>
Total current liabilities	88,164	75,263
NET ASSETS		
Net assets		
Invested in capital assets, net of related debt	-	906
Unrestricted	<u>260,544</u>	<u>240,830</u>
Total net assets	<u>\$ 260,544</u>	<u>\$ 241,736</u>

See accompanying notes to financial statements.

STATE OF ILLINOIS

THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Year ended June 30, 2006
(With comparative totals for 2005)

	<u>2006</u>	<u>2005</u>
Operating revenue		
Activities	\$ 22,204	\$ 8,949
Annual dues	30,894	33,041
Budget allocations from SIUE (Note 7)	104,839	172,598
Life memberships	9,420	3,966
Miscellaneous	167	71
SIUE Foundation support (Note 7)	8,351	21,807
Commissions (Note 5)	<u>17,424</u>	<u>21,561</u>
Total operating revenue	193,299	261,993
 Operating expenses		
Activities	38,497	19,038
Administrative	4,858	2,857
Audit fees	8,131	4,717
Award and scholarships	9,947	12,086
Budget expended at SIUE (Note 7)	104,839	172,598
Dues sharing program	9,144	-
Miscellaneous	56	4,410
Depreciation (Note 4)	906	1,086
Postage	10,077	15,526
Publications	1,383	15,455
Travel	<u>3,781</u>	<u>2,103</u>
Total operating expenses	<u>191,619</u>	<u>249,876</u>
 Operating revenue in excess of expenses	 1,680	 12,117
 Non-operating revenue		
Contributions	50	100
Investment income (Note 3)	8,160	8,756
Net change in fair value of investments (Note 3)	<u>8,918</u>	<u>6,687</u>
Total non-operating revenue	<u>17,128</u>	<u>15,543</u>
 Increase in net assets	 18,808	 27,660
 Net assets		
Beginning of year	<u>241,736</u>	<u>214,076</u>
 End of year	 <u>\$ 260,544</u>	 <u>\$ 241,736</u>

See accompanying notes to financial statements.

STATE OF ILLINOIS
 THE ALUMNI ASSOCIATION
 OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2006
 (With comparative totals for 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Payments received for annual dues	\$ 28,111	\$ 32,305
Payments received for life memberships	25,317	27,272
Commissions received	16,756	18,447
Payments received for activities	22,204	8,782
Miscellaneous cash receipts	150	71
Payments to the Foundation (Note 7)	(5,683)	(5,280)
Payments to SIUE (Note 7)	(28,358)	(25,987)
General and operating payments	(39,928)	(55,739)
Payments from SIUE Foundation	<u>8,351</u>	<u>21,807</u>
Net cash provided by operating activities	26,920	21,678
 Cash flows provided by noncapital financing activities		
Contributions for other than capital purposes	<u>50</u>	<u>100</u>
 Cash flows from investing activities		
Interest income	284	218
Purchase of investments	<u>(50,000)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(49,716)</u>	<u>218</u>
 Net change in cash	(22,746)	21,996
 Cash at beginning of year	<u>65,424</u>	<u>43,428</u>
 Cash at end of year	<u>\$ 42,678</u>	<u>\$ 65,424</u>
 Reconciliation of operating revenue in excess of expenses to net cash provided by operating activities		
Operating revenue in excess of expenses	\$ 1,680	\$ 12,117
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	906	1,086
Changes in assets and liabilities		
Receivables	3,802	(7,134)
Prepaid expenses	7,632	(7,706)
Accounts payable	(196)	745
Other liabilities	<u>13,096</u>	<u>22,570</u>
Net cash provided by operating activities	<u>\$ 26,920</u>	<u>\$ 21,678</u>

See accompanying notes to financial statements.

STATE OF ILLINOIS

THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: The Alumni Association of Southern Illinois University Edwardsville (the Association) exists for the primary purpose of aiding and assisting Southern Illinois University Edwardsville (SIUE or the University) in achieving its educational, research, and service goals and responsibilities.

Due to the significance of the financial relationship with the University, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the Association is included as a component unit of the University for financial reporting purposes and GASB No.39, *Determining Whether Certain Organizations are Component Units*. The State of Illinois stated that the Association should be included as a component unit of the University for financial reporting purposes and report under GASB on a stand-alone basis. The financial activities included in these financial statements are reported in a separate column in the University's financial statements to emphasize that the Association is an Illinois not-for-profit organization legally separate from the University.

These financial statements include all financial activities over which the Association exercises direct responsibility.

Financial Statement Presentation: Effective July 1, 2001, the Association adopted 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*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB Statement Nos. 35, 37 and 38 provides a comprehensive perspective of the Association's assets, liabilities, net assets, revenue, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

Effective July 1, 2004, the Association adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks of deposits and investments.

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 the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

(Continued)

STATE OF ILLINOIS

THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Association has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Association has elected to not apply FASB pronouncements issued after the applicable date.

Cash and Cash Equivalents: The Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash held by investment custodians and money market accounts stated at cost, which approximates fair value.

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 fair value of investments are reported in the non-operating section of the accompanying statements of revenue, expenses, and changes in net assets. Also, certain money market investments having a remaining maturity of one year or less at the time of purchase and nonnegotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

Capital Assets: Property and equipment purchased by the Association are recorded at cost. For equipment, the Alumni Association's capitalization policy includes all items with a unit cost of \$1,000 or more and an estimated useful life of greater than one year. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to seven years for equipment.

Deferred Revenue: During the year ended June 30, 2004, the Association changed to an accounting method of recognizing revenue on lifetime memberships ratably over a five-year period beginning with the first year after receipt. Previously life memberships were recognized in the year of receipt. Annual memberships are recognized over a twelve-month period beginning the month after receipt. Deferred revenue represents the unexpired portion of dues received.

Net Assets: The Association's net assets are classified as follows:

- *Invested in capital assets, net of related debt:* This represents the Association's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations, if any, related to those capital assets.

(Continued)

STATE OF ILLINOIS

THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Restricted:* Restricted net assets include resources for which the Association is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. The Association had no restricted net assets at June 30, 2006 and 2005.
- *Unrestricted:* Unrestricted net assets represent resources used for transactions relating to the educational and general operations of the Association, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Association's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Classification of Revenue and Expenses: The Association has classified its revenue and expenses as either operating or non-operating according to the following criteria:

- *Operating:* Operating revenue and expenses include activities that have the characteristics of exchange transactions, such as memberships, dues and commissions.
- *Non-Operating:* Non-operating revenue and expenses include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, investment income, and other revenue sources that are defined as non-operating revenue by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Non-exchange transactions, including contributions from donors, are recorded in accordance with the recognition requirements of GASB 33.

NOTE 2 - TAX STATUS

The Internal Revenue Service (IRS) has issued a determination letter, dated September 1973, indicating that the Association qualifies for federal income tax exemption under Section 501(c)(3) of the Internal Revenue Code except for income taxes associated with unrelated business income. The IRS has further determined that the Association is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Section 509(a)(3). No provision has been made as management does not believe it has significant unrelated business income.

(Continued)

STATE OF ILLINOIS
THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 - CASH AND INVESTMENTS

Investments: Investments are reported at fair value. The fair value is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing parties. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments for the fiscal year 2006 was \$8,918. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the years.

Investment income for the year ended June 30, 2006 of \$7,892, combined with operating account interest of \$269 is reported as investment income on the statement of revenue, expenses and changes in net assets.

Investment Policy: The Association has no written investment policy. The Association's Board of Directors practices a self-directed approach to investing in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the Association and conforming to all statutes governing the investment of funds.

Cash and Investment Risk:

Custodial Credit Risk:

Deposits: The risk that, in the event of the failure of a depository financial institution, the Association will not be able to recover deposits that are in the possession of an outside party. The Association's informal policy is to maintain balances below the Federal Deposit Insurance Corporation's (FDIC) limit. The carrying amount of cash in bank at June 30, 2006 is \$42,678 and the bank balances were \$53,411, all of which is insured by the FDIC.

Investments: The risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments that are in the possession of an outside party. The carrying amount of the Association's investments held by the counterparties at June 30, 2006, is as follows:

(Continued)

STATE OF ILLINOIS
 THE ALUMNI ASSOCIATION
 OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

NOTE 3 - CASH AND INVESTMENTS (Continued)

Common stock	\$ 36,465
Mutual funds, equities	100,297
Short-Term Investments	<u>164,462</u>
 Total investments	 <u>\$ 301,224</u>

The investment custodian holds these investments in its name for the benefit of the Association. The Association does not maintain a policy regarding custodial credit risk.

Foreign Currency Risk: The risk that changes in exchange rates will adversely affect the investment. The Association had no foreign investments at June 30, 2006. The Association does not maintain a policy regarding foreign currency risk.

Credit Risk: The risk that an issue or other counterparty to an investment will not fulfill its obligations. The Association has no corporate bond investments. The Association does not have any fixed income mutual funds in its portfolio.

Concentration of Credit Risk: The risk of loss attributable to the magnitude of investment in a single issuer. The Association does not maintain a policy regarding concentration of credit risk.

Interest Rate Risk: The risk that changes in interest rates will adversely affect the fair value of an investment. The Association does not maintain a policy that limits investment maturities in regards to interest rate risk. However, the Board of Director's overall approach to risk management requires sound investment decisions and diversification.

As of June 30, 2006, the Association had the following cash and investment balances:

INTERNALLY MANAGED INVESTMENTS

	<u>Fair value</u>	<u>Investment maturities</u>	
		<u>Less than one year</u>	<u>More than one year</u>
Common stock	\$ 36,465	\$ -	\$ 36,465
Mutual funds, equities	100,297	-	100,297
Cash and cash equivalents	<u>164,462</u>	<u>164,462</u>	<u>-</u>
 Total investments	 <u>\$ 301,224</u>	 <u>\$ 164,462</u>	 <u>\$ 136,762</u>

(Continued)

STATE OF ILLINOIS
 THE ALUMNI ASSOCIATION
 OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

NOTE 4 - CAPITAL ASSETS

As a result of the adoption of GASB Statement No. 35, the Association has recognized depreciation on its capital assets. Capital assets consist of the following:

	Balance July 1, <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2006</u>
Equipment	\$ 3,260	\$ -	\$ -	\$ 3,260
Less accumulated depreciation	<u>2,354</u>	<u>906</u>	<u>-</u>	<u>3,260</u>
Capital assets, net	<u>\$ 906</u>	<u>\$ 906</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 - CREDIT CARD ARRANGEMENT

The Association entered into an agreement with MBNA America Bank, N.A. (the Bank) whereby the Association and the Bank will market the Bank's credit card services to University students, alumni, employees, and others using the Association's name and logo. In conjunction with this agreement, the Association will receive certain fees and royalties based upon each new account opened and amounts charged on these accounts.

Fees or royalties earned were \$17,424 for 2006, which are included with commissions in the statements of revenue, expenses and changes in net assets for the year ended June 30, 2006.

NOTE 6 - RETIREMENT PLAN

All full-time Association personnel are University employees. Retirement benefits and postretirement benefits, other than pension, are available for eligible University employees under a contributory retirement plan (the Plan) administered by the State Universities Retirement System.

(Continued)

STATE OF ILLINOIS
THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - RETIREMENT PLAN (Continued)

Participants of the Plan contribute 8% of their gross earnings, and the University annually contributes an amount determined by the State Legislature from State appropriations and amounts from other current funds, based on actuarially determined rates. Information pertaining to the Plan and plan benefits can be found in the University's financial statements. The Association does not own any of the Plan's assets and has no responsibility for the Plan's obligations.

During 2006, SIUE contributed \$8,626 to the Plan on behalf of Association personnel. These amounts are included in the amounts shown as budget allocations from SIUE and budget expended at SIUE in the accompanying statements of revenue, expenses, and changes in net assets.

NOTE 7 - TRANSACTIONS WITH RELATED PARTIES

The Association has entered into an agreement with the Board of Trustees of SIUE and the Southern Illinois University Edwardsville Foundation (the Foundation), which specifies the relationship between the organizations in accordance with the Legislative Audit Commission's University Guidelines, 1997. Under the terms of the agreement, the Foundation provides coordination of alumni services on behalf of SIUE and provides various services to the Association without charge. The Foundation expended \$8,351 in 2006 as reimbursement to SIUE on the Association's behalf. These amounts are reflected as SIUE Foundation support in the accompanying statements of revenue, expenses, and changes in net assets.

The Association also uses various services of SIUE and directly reimburses SIUE at a cost equal to that charged by SIUE to other users. The Association expended \$28,358 in 2006. The Association also expended \$5,683 in 2006 to the Foundation for support of Foundation activities. These amounts are reflected as payments to SIUE and payments to the Foundation, respectively, in the statements of cash flows.

The Association maintains a dues-sharing program whereby the Association shares 10% of the dues collected with the school or college from which the alum graduated. The dues are paid to the school or college upon request and at June 30, 2006, the amount owed was \$7,582. The funds are distributed to an SIUE Foundation fund controlled by the school or college and therefore this amount is reflected as a payable to the SIUE Foundation in the statements of net assets.

(Continued)

STATE OF ILLINOIS

THE ALUMNI ASSOCIATION
OF SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 7 - TRANSACTIONS WITH RELATED PARTIES (Continued)

Pursuant to governmental accounting standards, the Association is required to recognize as revenue and expense those on-behalf payments for salaries and fringe benefits made by the University for personnel of the Association. The amount reflected as budget allocations from SIUE and budget expended at SIUE in the accompanying statements of revenue, expenses, and changes in net assets totaled \$104,839 for the year ended June 30, 2006.

NOTE 8 - SUMMARIZED FINANCIAL INFORMATION

The financial statements include prior-year summarized comparative information. 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 Association's financial statements for the year ended June 30, 2005, from where the summarized information was derived.



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS 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
and
The Board of Directors
The Alumni Association of
Southern Illinois University Edwardsville

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of The Alumni Association of Southern Illinois University Edwardsville (the Association) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters

involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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


Crowe Chizek and Company LLC

Chicago, Illinois
September 29, 2006