

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY  
ALUMNI ASSOCIATION**

**FINANCIAL AUDIT  
Year Ended June 30, 2006**

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

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>AGENCY OFFICIALS</b> .....	1
 <b>FINANCIAL STATEMENT REPORT</b>	
Summary .....	2
Independent Auditor's Report.....	3
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Statement of Net Assets .....	8
Statement of Revenues, Expenses, and Changes in Net Assets.....	9
Statement of Cash Flows .....	10
Notes to Basic Financial Statements.....	11

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION**

**AGENCY OFFICIALS**

Howard Blietz	President
Rene Hernandez	Vice President
Jack Tierney	Vice President
Robert Kugel	Treasurer
Michael Malone	Interim Executive Director

***Agency Office is located at:***

Barsema Alumni & Visitors Center  
Dekalb, Illinois 60115

## **FINANCIAL STATEMENT REPORT**

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION**

**FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying financial statements of the Northern Illinois University Alumni Association (Alumni Association) was performed by Clifton Gunderson LLP.

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

## **AUDITORS' REPORTS**

## Independent Auditor's Report

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of Northern Illinois University Alumni Association (Association), a component unit of Northern Illinois University and a component unit of the State of Illinois, as listed in the table of contents, as of and for the year ended June 30, 2006. 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 prior year partial comparative information has been derived from the Association's June 30, 2005 financial statements and in our report dated September 22, 2005 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 Northern Illinois University Alumni Association as of June 30, 2006, and the changes in net assets and 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*, a report 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 will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on 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, upon issuance, 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 5 to 7 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 Gundersen LLP*

Peoria, Illinois  
September 21, 2006

## **FINANCIAL STATEMENTS**

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2006**

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Northern Illinois University Alumni Association (Association) for the year ended June 30, 2006. The financial statements are prepared in accordance with *Governmental Accounting Standards Board (GASB)* principles.

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities. A summarized comparison follows:

**Condensed Statement of Net Assets**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current assets	\$ 2,000	\$ -
Noncurrent assets	<u>2,332,380</u>	<u>2,441,270</u>
	<u>\$ 2,334,380</u>	<u>\$ 2,441,270</u>
<b>Liabilities</b>		
Current liabilities	<u>\$ 48,640</u>	<u>\$ 97,524</u>
<b>Net Assets</b>		
Nonexpendable donor:		
Restricted	\$ 120,945	\$ 113,970
Expendable donor:		
Restricted	236,462	225,710
Unrestricted	<u>1,928,333</u>	<u>2,004,066</u>
	<u>\$ 2,285,740</u>	<u>\$ 2,343,746</u>

Current assets consist of prepaid expenses. Noncurrent assets consist of investments held by the Northern Illinois University Foundation reported at market value.

Current liabilities consist primarily of trade accounts with vendors and deposits from members.

Net assets represent the residual interest in the Association's assets after liabilities are deducted. During the year ended June 30, 2006, there was a decrease in net assets of \$58,006. The decrease is the result of the Association's continuing programming expenses. A portion of the large \$1,500,000 multi-year contract income in the year ended June 30, 2002 has been utilized to support these programs.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2006**

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the Association, as well as nonoperating revenues. Fiscal year 2006 activity resulted in a \$58,006 reduction to net assets.

A summarized comparison of this statement follows:

	<u>2006</u>	<u>2005</u>
Operating expenses	\$ (312,925)	\$ (685,305)
Net nonoperating revenues	<u>254,919</u>	<u>230,093</u>
Decrease in net assets	(58,006)	(455,212)
Net assets - beginning of year	<u>2,343,746</u>	<u>2,798,958</u>
<b>Net assets - end of year</b>	<b><u>\$ 2,285,740</u></b>	<b><u>\$ 2,343,746</u></b>

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets.

Royalties are affinity program revenues received by the Association in exchange for the Association's official sponsorship of the financial and insurance products that are offered to alumni. Currently, the Association has agreements with a credit card provider, a financial institution, and a provider of insurance. The Association also contracts with independent tour operators that market travel opportunities to our members. During the year ended June 30, 2002, the Association entered into a multi-year contract resulting in a guaranteed royalty of \$1,500,000 received at the beginning of the contract, as noted above.

Net investment income totaled \$183,930 in 2006. This is the result of favorable market conditions that existed during 2006. In return for a fee for services, the NIU Foundation provides investment management oversight and administration for a portion of the Association's funds, including endowment funds and funds acting as endowment. This structure allows for a very efficient and cost effective investment management function. The majority of the investment income results from unrestricted funds that the Alumni Association has chosen to treat as endowment to create a lasting stream of income to fund both the scholarship and general programs each year.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2006**

Scholarship support increased to \$46,000 in the year ended June 30, 2006 as compared to \$45,000 provided for the previous year.

Statement of Cash Flows

The Statement of Cash Flows reports \$0 Cash and Cash Equivalents at June 30, 2006 and does not report cash flow from operating activities.

Other Association Attributes

The NIU Alumni Association is dedicated to supporting the growth and development of Northern Illinois University and to serving as a communication link between alumni and the university community by offering programs and services which foster pride in the university, support its goals, and meet alumni needs.

Along with a pool of committed alumni volunteers, the Association is active in developing alumni clubs and other constituency groups which further alumni affiliation with the university and sponsors programs for students designed to develop university loyalty and to encourage a life long relationship with the university as active alumni.

In developing and sponsoring programs which foster financial support for the University, the Association strives to represent alumni interests on university policy-making committees.

Economic Factors That Will Affect The Future

Looking toward the future, management believes that the Association is well positioned to continue providing its outstanding level of service to alumni, students and the entire Northern Illinois University community.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
STATEMENT OF NET ASSETS  
June 30, 2006  
With Comparative Totals for June 30, 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Prepaid expenses	\$ 2,000	\$ -
Noncurrent assets:		
Cash and investments administered by NIU Foundation	<u>2,332,380</u>	<u>2,441,270</u>
<b>TOTAL ASSETS</b>	<u>2,334,380</u>	<u>2,441,270</u>
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	12,200	3,086
Deposits	<u>36,440</u>	<u>94,438</u>
<b>TOTAL LIABILITIES</b>	<u>48,640</u>	<u>97,524</u>
 <b>NET ASSETS</b>		
Restricted:		
Nonexpendable donor restricted	120,945	113,970
Expendable donor restricted	236,462	225,710
Unrestricted - expendable	<u>1,928,333</u>	<u>2,004,066</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,285,740</u>	<u>\$ 2,343,746</u>

See accompanying notes to basic financial statements.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
Year Ended June 30, 2006  
With Comparative Totals for the Year Ended June 30, 2005**

	<u>2006</u>	<u>2005</u>
<b>EXPENSES</b>		
Operating expenses:		
Expenses on behalf of NIU:		
Scholarships and fellowships	\$ 46,000	\$ 45,000
Contribution to Alumni & Visitors Center		
Building Project Fund	-	400,000
Alumni relations, outreach, events, and travel	<u>266,925</u>	<u>240,305</u>
Total operating expenses	<u>312,925</u>	<u>685,305</u>
Net operating loss	<u>(312,925)</u>	<u>(685,305)</u>
 <b>NONOPERATING REVENUES</b>		
Expendable gifts	19,856	24,754
Investment income	183,930	195,339
Program support from NIU President allocation	-	10,000
Royalties	<u>51,133</u>	<u>-</u>
Net nonoperating revenues	<u>254,919</u>	<u>230,093</u>
 <b>DECREASE IN NET ASSETS</b>	 (58,006)	 (455,212)
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 <u>2,343,746</u>	 <u>2,798,958</u>
 <b>NET ASSETS, END OF YEAR</b>	 <u>\$ 2,285,740</u>	 <u>\$ 2,343,746</u>

See accompanying notes to basic financial statements.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2006  
With Comparative Totals for the Year Ended June 30, 2005**

	<u>2006</u>	<u>2005</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net operating loss	\$ (312,925)	\$ (685,305)
Adjustments to reconcile operating loss to cash flow from operating activities:		
Changes in assets and liabilities:		
Increase in prepaid expenses	(2,000)	-
Decrease in cash and investments administered by NIU Foundation	363,809	661,893
Increase (decrease) in accounts payable	9,114	(7,649)
Increase (decrease) in deposits	<u>(57,998)</u>	<u>31,061</u>
 <b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

Northern Illinois Alumni Association (the "Association") is an Illinois nonprofit corporation established to build relationships between alumni and Northern Illinois University (the "University"), a State agency.

The Alumni Association is a "University Related Organization", as defined under the University Guidelines adopted by the Legislative Audit Commission in 1982, as amended in 1997, and a component unit of the State of Illinois for financial reporting purposes. Due to the significance of the financial relationship with the University, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB Statement No. 14, the Alumni Association is included as a component unit of the University for financial reporting purposes. The financial balances and activities included in these financial statements are therefore also included in the University's comprehensive annual financial report. All funds of the Alumni Association are locally administered and are neither subject to the State of Illinois appropriation process nor held in the State treasury.

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2005, from which the summarized information was derived. In addition, certain reclassifications have been made to the 2005 financial statements to conform to the 2006 presentation.

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

For financial reporting purposes, the Alumni Association is considered a special-purpose government engaged only in business-type activities. In addition, the 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 Association has elected not to apply FASB pronouncements issued after November 30, 1989. Accordingly, the accompanying financial statements of the Alumni Association have been prepared on the accrual basis of accounting using the economic resources measurement focus. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

A. In accordance with the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments, except limited partnerships, are reported at fair value. Changes in unrealized gain (loss) are reported as a component of investment income in the statement of revenues, expenses and changes in net assets. Investments in limited partnerships are reported at net asset value.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Net assets of the Alumni Association are classified as follows:

*Restricted net assets-nonexpendable* - represents endowment funds, where the donor has provided a gift where the principal must remain invested in perpetuity and only the income may be utilized to support the restricted purpose the donor has indicated.

*Restricted net assets-expendable* - represents the resources for which the Alumni Association is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The Association first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

*Unrestricted net assets* - represent resources used for transactions relating to the general operations of the Alumni Association and may be used at the discretion of the Board to meet expenses for any purpose.

C. The Alumni Association is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC.

D. 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 expenditures during the reporting period. Actual results could differ from those estimates.

E. Revenues are classified as operating revenues if they have the characteristics of exchange transactions. Nonoperating revenues include revenues that have the characteristics of nonexchange transactions as defined in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and by GASB Statement No. 34.

**NOTE 2 - NORTHERN ILLINOIS UNIVERSITY FOUNDATION AGREEMENT**

The Association works collaboratively with the NIU Foundation to aid Northern Illinois University in achieving its mission and in adding excellence. In order to avail itself to a broader array of investment opportunities and to realize inherent administrative efficiencies, the Association has contracted with the NIU Foundation to provide accounting and financial services for funds of the Association. On February 27, 2004, the Association entered into an agreement, renewable annually, with the Northern Illinois University Foundation for these services. The agreement designates the Foundation as the investment and accounting agent for the assets of the Association. The Foundation receives compensation for services rendered in the amount of \$55,000 annually, which is included in the Association's expenses as alumni relations, outreach, events, and travel.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 3 - FUNDS HELD BY OTHERS**

The Association reports no cash or cash equivalents due to the agreement with the Foundation as described below.

According to the services agreement, Association funds are invested in accordance with NIU Foundation investment management policies. The investment policy statement indicates the intended use for funds shall determine how they will be invested. The funds of the NIU Alumni Association are invested in two primary investment strategies executed in different investment pools. Endowed funds and funds initially received as expendable but acting as endowment are invested with a long-term horizon. Based upon historical patterns of usage, expendable gift funds are invested with an intermediate strategy.

If a donor has not provided specific instructions, state law directs the Board of Directors to authorize for expenditure the net appreciation, both realized and unrealized, of the investments of endowment funds.

The Finance Committee adopted a spending policy for fiscal year 2006 of 4 percent of the three year moving average market value of the endowment investments of the three preceding years to be expendable.

The net appreciation on investments of donor-restricted endowments available for authorization for expenditure approximates \$55,965 at June 30, 2006. These amounts are included in the net assets section of the Statement of Net Assets as restricted for nonexpendable purposes.

All of the Alumni Association's funds are managed by the Foundation in commingled accounts. Below is a summary of the Foundation's investment policies and holdings as of June 30, 2006:

The Board of Directors of the Foundation is responsible for the management of the Foundation's investments. The Board has approved authority to the Finance Committee to formulate an investment policy for funds and assets of the Foundation. The Finance Committee shall submit that policy to the Board for approval, periodically recommend changes in policy as appropriate, interpret the policy to the Foundation's investment managers, and oversee implementation of that policy. Investment performance is reviewed quarterly by the Finance Committee and reported to the Board of Directors.

The Foundation's permissible investment categories include:

1. Equities;
2. Fixed income securities;
3. Cash equivalents;
4. Venture capital/private equity;
5. Equity real estate;
6. Hedge funds.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 3 - FUNDS HELD BY OTHERS (CONTINUED)**

Details of investment balances at June 30, 2006 are as follows:

	<u>Cost</u>	<u>Market</u>
Mutual funds	\$ 36,468,226	\$ 42,405,306
Stock	1,761,715	2,341,815
Limited partnerships	3,793,173	4,191,105
Charitable remainder trusts	<u>106,472</u>	<u>114,293</u>
	<u>\$ 42,129,586</u>	49,052,519
Cash surrender value of life insurance		<u>105,890</u>
		<u>\$ 49,158,409</u>

In fulfilling its responsibilities, the Board has contracted with 23 investment management firms to execute the strategy it has established.

Custodial Credit Risk

Custodial credit risk is the potential for a financial institution or counterparty to fail such that the Foundation would not be able to recover the value of deposits, investments or collateral securities that are in the possession of an outside party. The Foundation's policy does not address custodial credit risk. All of the Foundation's deposits and investments are insured or collateralized with securities held in the Foundation's name.

Concentration Risk

The Foundation's policy calls for no investment purchases that would cause a position in the portfolio to exceed 5 percent of the outstanding voting shares of the company or invest with the intent of controlling management. The Foundation does not have any investments representing five percent or more of the Foundation's assets in any single issuer.

Currency Risk

Currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation's investment policy calls for individual international managers to maintain an appropriate diversification with respect to currency and country. The Foundation's investments at June 30, 2006 were distributed among the following currencies:

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 3 - FUNDS HELD BY OTHERS (CONTINUED)**

Currency Risk (Continued)

<u>USD Equivalent</u>		<u>Currency</u>
\$ 46,808,259	87.0%	United States Dollar
1,927,456	3.6	Euro Current Unit
1,365,975	2.6	Japanese Yen
1,153,150	2.1	British Pound
332,750	.6	Canadian Dollar
326,817	.6	Swiss Franc
<u>1,865,229</u>	<u>3.5</u>	Other currencies, individually less than 0.5% of deposits and investments
<u>\$ 53,779,636</u>	<u>100.0%</u>	<b>Total currencies</b>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The Foundation's policy calls for managers to maintain an overall credit rating of Aa or better by Moody's or AA or better by Standard & Poor's and to hold no more than 15 percent of the portfolio in below investment grade issues (below Baa/BBB).

Fixed income securities are held through mutual funds. Foundation assets subject to credit risk are shown with a current credit rating below:

<u>Credit Risk Quality Rating</u>	<u>Fixed Income Mutual Fund Balance</u>
AAA	\$ 6,231,968
AA	4,620,880
AA+	858,969

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy statement indicates that each manager shall maintain a duration +/- 20 percent of the effective duration of its benchmark index. The same assets as detailed with respect to credit risk above are subject to interest rate risk as detailed below:

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 3 - FUNDS HELD BY OTHERS (CONTINUED)**

Interest Rate Risk (Continued)

<u>Weighted Average Duration (Years)</u>	<u>Fixed Income Mutual Fund Balance</u>	
2.7	\$ 4,523,511	
3.9	4,620,880	
4.8	1,708,457	
7.2	<u>858,969</u>	
4.7	<u>\$ 11,711,817</u>	<b>Total</b>

Commitments

Under one of the limited partnership agreements, the Foundation has a capital commitment of \$2,000,000, of which \$1,600,000 was not funded at June 30, 2006. Two other investments also have capital commitments totaling \$1,497,874, of which \$782,916 was not funded at June 30, 2006.

**NOTE 4 - ROYALTIES**

The Alumni Association entered into a royalty agreement with a bank in December 2001. The agreement provides for the bank to pay the Alumni Association royalties for collaborating in the offering of services to alumni. The agreement guarantees a minimum of \$1,500,000 over the seven-year term of the agreement.

The Association entered into a licensing agreement with a bank in March 2005 to receive an affinity fee of \$20,000 per year for the three year initial term of the agreement and also for collaborating in the offering of financial services to alumni.

The Association and an insurance company entered into an agreement effective July 1, 2005 which promotes the company's insurance program to alumni. The company agrees to pay an annual \$20,000 sponsorship as well as a fee on each inquiry from a NIU member. This agreement is in effect for a minimum of five years.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY ALUMNI ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 5 - LEASE**

Following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancellable terms in excess of one year as of June 30, 2006. Total rental expense for the year ended June 30, 2006 under this lease was \$15,682, which is included in alumni relations, outreach, events, and travel. Minimum lease payments are:

	<u><b>Amount</b></u>
Year ending June 30:	
2007	\$ 16,637
2008	<u>8,441</u>
<b>Total</b>	<u><b>\$ 25,078</b></u>

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