



UNIVERSITY OF ILLINOIS  
ALUMNI ASSOCIATION

*Building Relationships for Life*

## **Financial Statements**

**Year Ended June 30, 2005**

with

Reports of Independent Public Accountants

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



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## Independent Auditor's Report

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the University of Illinois Alumni Association (Alumni Association), a component unit of the University of Illinois, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Alumni Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Alumni Association's 2004 financial statements, and in our report dated August 11, 2004, 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 the 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the University of Illinois Alumni Association as of June 30, 2005, and the changes in financial position 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*, we have also issued a report dated July 29, 2005, on our consideration of the Alumni 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 considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 4 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Clifton Gunderson LLP*

Peoria, Illinois  
July 29, 2005

## UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

### **Management's Discussion and Analysis**

Fiscal Year Ending June 30, 2005, with Comparative Totals for 2004

#### **Introduction**

The following discussion and analysis provides an overview of the financial position and activities of the University of Illinois Alumni Association (Alumni Association) for the year ended June 30, 2005, with selected comparative information for the year ended June 30, 2004. This Management's Discussion and Analysis is designed to assist in understanding the Alumni Association's current financial activities, major trends, and future outlook in conjunction with the Alumni Association's financial statements and the footnotes.

The Alumni Association is a non-profit organization formed to promote the general welfare of the University and to encourage and stimulate interest among students, former students and others in the University's programs. In this capacity, the Alumni Association offers memberships in the Alumni Association to former students, conducts various activities for students and alumni, maintains alumni records, and publishes periodicals for the benefit of alumni.

The Alumni Association provides support services to assist the Chicago, Springfield and Urbana-Champaign campus alumni relations efforts. These professional services include event planning; organizing and assisting alumni clubs, chapters and special interest groups; communications; information processing; maintaining alumni records, and counsel on alumni relations. The Alumni Association provides these services through its campus offices in Chicago, Springfield, Urbana and the Alumni Career Center at the Illini Center in downtown Chicago.

#### **Using the Financial Statements**

The Alumni Association's financial report includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The financial statements focus on the financial condition of the Alumni Association, the results of operations, and cash flows of the Alumni Association as a whole. This presentation is a traditional method of reporting assets and liabilities, similar to the methods used by private-sector entities.

#### **Statement of Net Assets**

The Statement of Net Assets presents the financial position of the Alumni Association at the end of the fiscal year and includes all assets and liabilities of the Alumni Association using the accrual basis of accounting. The difference between the total assets and total liabilities is one indicator of the current financial position of the Alumni Association. The changes in net assets that occur over time indicate improvement or deterioration in the Alumni Association's financial condition. Generally assets and liabilities are reported at cost, approximating fair value, with the exception of investments, which are reported at fair value, and capital assets, which are stated at the historical cost less accumulated depreciation. A summarized comparison of the Alumni Association's assets, liabilities and net assets at June 30, 2005 and 2004 is as follows:

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

**Management's Discussion and Analysis**

Fiscal Year Ending June 30, 2005, with Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Current assets	\$ 2,121,600	\$ 1,931,400
Noncurrent assets	14,504,400	13,088,500
Capital assets, net of depreciation	526,800	543,200
Total assets	<u>\$ 17,152,800</u>	<u>\$ 15,563,100</u>
<b>Liabilities</b>		
Current liabilities	1,074,400	312,300
Noncurrent liabilities	8,600	8,600
Total liabilities	<u>1,083,000</u>	<u>320,900</u>
<b>Net assets</b>	<u>16,069,800</u>	<u>15,242,200</u>
Total liabilities and net assets	<u>\$ 17,152,800</u>	<u>\$ 15,563,100</u>

Total assets increased \$1.6 million to \$17.2 million during fiscal year 2005. This increase is due primarily to a net increase in cash and investments of \$1.5 million resulting from investment income and unrealized gains. Total liabilities increased \$0.8 million during fiscal year 2005 due primarily to a \$0.7 million increase in deferred revenues resulting from the receipt of a credit card affinity program payment for fiscal year 2006 received in fiscal year 2005.

The Alumni Association's resources are classified into net assets in the Statement of Net Assets. These categories are defined as (a) Invested in capital assets – capital assets net of accumulated depreciation, (b) Restricted assets, expendable - assets subject to imposed restrictions that can be fulfilled by action of the Alumni Association pursuant to those stipulations or that expire by the passage of time, and (c) Unrestricted – assets not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Directors. The Alumni Association's net assets increased by \$0.8 million during fiscal year 2005. Net asset balances are detailed below:

	<u>2005</u>	<u>2004</u>
<b>Net assets</b>		
Invested in capital assets	\$ 526,800	\$ 543,200
Restricted for class activities	75,500	90,600
Unrestricted		
Designated	14,174,200	13,587,000
Undesignated	1,293,300	1,021,400
Total net assets	<u>\$ 16,069,800</u>	<u>\$ 15,242,200</u>

Unrestricted, undesignated assets increased \$0.3 million as a result of the net surplus of the combined operating funds. Unrestricted, designated net assets increased by \$0.6 million due to increases of \$1.3 million in the membership fund and \$0.6 million in the advance fund partially offset by a \$1.3 million contribution to fund construction of the Alice Campbell Alumni Center.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

**Management's Discussion and Analysis**

Fiscal Year Ending June 30, 2005, with Comparative Totals for 2004

**Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets presents the Alumni Association's results of operations. In accordance with GASB reporting standards, revenues and expenses are classified as either operating or nonoperating. A summarized comparison of the Alumni Association's Statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
<b>Operating revenues</b>		
Membership fees	\$ 900,000	\$ 793,700
University of Illinois	3,515,100	3,360,600
Affinity programs	3,082,900	2,801,000
Other revenues	623,700	552,400
<b>Total operating revenues</b>	<u>8,121,700</u>	<u>7,507,700</u>
<b>Total operating expenses</b>	<u>7,235,400</u>	<u>7,144,500</u>
<b>Operating income</b>	<u>886,300</u>	<u>363,200</u>
<b>Nonoperating revenues (expenses)</b>		
Investment income	279,700	284,000
Contributions	(1,362,600)	(145,300)
Net increase in fair value of investments	1,024,200	1,806,800
Net nonoperating revenues (expenses)	<u>(58,700)</u>	<u>1,945,500</u>
<b>Increase in net assets</b>	827,600	2,308,700
<b>Net assets, beginning of the year</b>	<u>15,242,200</u>	<u>12,933,500</u>
<b>Net assets, end of the year</b>	<u>\$ 16,069,800</u>	<u>\$ 15,242,200</u>

Fiscal year 2005 activities resulted in a \$0.8 million increase in net assets. This increase results from operating income of \$0.9 million partially offset by \$0.1 million of net expenses from nonoperating activities. Operating revenues are generated through three primary sources: membership fees, the University of Illinois, and affinity programs. Operating revenues grew \$0.6 million in fiscal year 2005 compared to fiscal year 2004. All three primary sources of revenue contributed to this growth. Membership revenues grew due to new marketing programs and targeted campaigns. The University of Illinois revenues grew due to a contractual increase and rising benefit costs. Affinity programs grew due to a contractual increase in the credit card program and an increase in tour-related commissions. Total operating expenses were \$0.1 million higher during fiscal year 2005 compared to fiscal year 2004. Growth in these expenses was constrained by a mid-year review of operating expenses, and a mid-year reduction in certain planned events and services. Nonoperating revenues (expenses) were (\$0.1) million during fiscal year 2005 compared to \$1.9 million in fiscal year 2004. The decline in nonoperating revenues (expenses) is due to a \$1.2 million increase in contributions primarily to fund construction of the Alice Campbell Alumni Center, and a decline of \$0.8 million in investment income, realized and unrealized gains from the sale of investments.

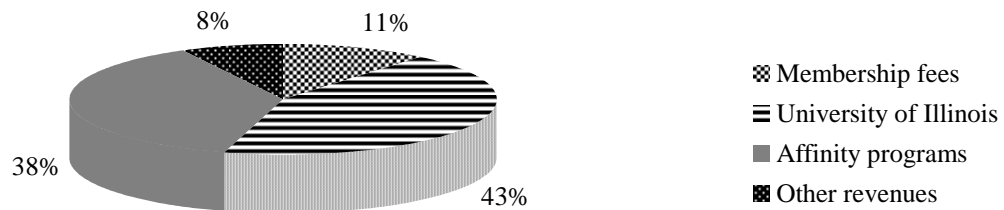


UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

**Management's Discussion and Analysis**

Fiscal Year Ending June 30, 2005, with Comparative Totals for 2004

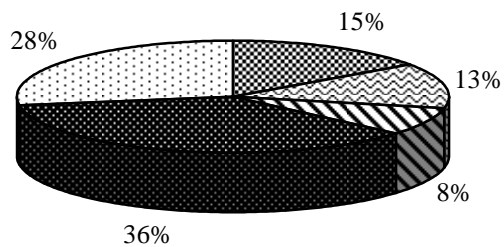
The following graphically illustrates the operating revenues that were used to fund the Alumni Association's operating activities for the year ended June 30, 2005.



The Alumni Association chooses to report its expenses by functional classifications, rather than natural classifications, in the Statement of Revenues, Expenses and Changes in Net Assets. The following graphics illustrate the expenses for each method of classification.

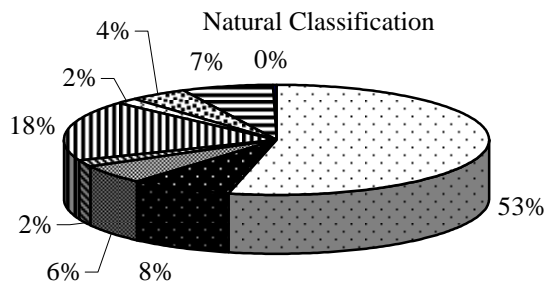
Functional Classification

- ☒ Communications
- ☒ Information services
- ☒ Membership promotion
- ☒ Alumni outreach programs
- ☒ General and operating



Natural Classification

- ☒ Personnel
- ☒ Equipment and furniture
- ☒ Rent and utilities
- ☒ Printing
- ☒ Supplies and services
- ☒ Distributions to U of I
- ☒ Postage
- ☒ Travel
- ☒ Depreciation



## UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

**Management's Discussion and Analysis**

Fiscal Year Ending June 30, 2005, with Comparative Totals for 2004

**Statement of Cash Flows**

The Statement of Cash Flows provides information about the Alumni Association's financial results by reporting the major sources and uses of cash. A comparative summary of the Statement of Cash Flows for the years ended June 30, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities</b>		
Total sources	\$ 5,417,000	3,260,600
Total uses	(3,839,800)	(3,868,900)
Net cash provided (used) by operating activities	<u>1,577,200</u>	<u>(608,300)</u>
<b>Cash flows from non-capital activities</b>		
Net cash (used) by non-capital activities	(65,000)	0
<b>Cash flows from investing activities</b>		
Net cash provided (used) by investing activities	(167,000)	105,900
<b>Cash flows from capital and related financing activities</b>		
Contribution to Alice Campbell Alumni Center	(1,297,600)	(145,300)
Proceeds from disposition of capital assets	<u>0</u>	<u>200</u>
Net cash (used) by capital and related financing activities	<u>(1,297,600)</u>	<u>(145,100)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	47,600	(647,500)
<b>Cash and cash equivalents - beginning of the year</b>	<u>1,549,400</u>	<u>2,196,900</u>
<b>Cash and cash equivalents - end of the year</b>	<u><u>\$ 1,597,000</u></u>	<u><u>\$ 1,549,400</u></u>

Cash from all sources increased \$47,600 during fiscal year 2005. Cash flow provided by operating activities was \$1.6 million during fiscal year 2005 offset by \$1.4 million of contributions primarily for construction of the Alice Campbell Alumni Center and \$0.2 million net cash used by investing activities.

## UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

### **Management's Discussion and Analysis**

Fiscal Year Ending June 30, 2005, with Comparative Totals for 2004

#### **Economic Factors that Will Affect the Future**

Looking toward the future, management believes that the Alumni Association is well positioned to continue providing its outstanding level of service to alumni, students and the entire University of Illinois community. The Alumni Association plans to obtain the resources required to fulfill our mission and realize our goals and objectives. We plan to continue to employ our investment strategy of investing at an appropriate level of risk to provide sufficient resources to support ongoing services for our membership. We also plan to continue to follow a spending policy that will allow the Alumni Association to fulfill its lifetime commitment to its members.

Construction of the Alice Campbell Alumni Center is progressing, and we plan to move our Urbana-Champaign staff in the Spring of 2006 from the Illini Union, our home since 1939. The Alice Campbell Alumni Center will have a ballroom, great room, lounge and library enabling us to host Alumni Association and University-related events. Construction is being funded through private gifts (see note 12). In addition, plans are in place for 2006 to move our University of Illinois at Chicago staff from leased facilities off-campus to the Student Center East building increasing our visibility with students and alumni on campus.

A crucial element to the Alumni Association's future will continue to be its relationship with the University of Illinois. Generally, there is a direct relationship between the state funds allocated to the University and the Alumni Association's ability to predict University support. During fiscal year 2006, the University will undertake a comprehensive strategic planning process. The Alumni Association has embarked on its strategic planning process and is participating with the University and the University of Illinois Foundation to coordinate our activities. To the extent that there are changes to historical practices, the Alumni Association's activities and finances may be impacted.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

**Statement of Net Assets**

As of June 30, 2005 with Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,521,500	\$ 1,458,800
Restricted cash and cash equivalents	75,500	90,600
Accounts receivable - University of Illinois	203,200	76,900
Accounts receivable - other	120,300	89,400
Life memberships receivable, net	125,000	141,800
Inventories	4,700	3,800
Prepaid expenses	71,400	70,100
Total current assets	<u>2,121,600</u>	<u>1,931,400</u>
<b>Noncurrent Assets</b>		
Investments	14,404,300	12,933,400
Life memberships receivable, net	100,100	155,100
Capital assets, net of depreciation	526,800	543,200
Total noncurrent assets	<u>15,031,200</u>	<u>13,631,700</u>
 Total assets	 <u>\$ 17,152,800</u>	 <u>\$ 15,563,100</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - University of Illinois	70,500	58,500
Accounts payable - others	56,100	43,200
Accrued liabilities	202,000	171,500
Deferred revenues	745,800	39,100
Total current liabilities	<u>1,074,400</u>	<u>312,300</u>
<b>Noncurrent Liabilities</b>		
Deferred revenues	8,600	8,600
Total noncurrent liabilities	<u>8,600</u>	<u>8,600</u>
 Total liabilities	 <u>1,083,000</u>	 <u>320,900</u>
<b>NET ASSETS</b>		
Restricted - expendable for class activities	75,500	90,600
Invested in capital assets	526,800	543,200
Unrestricted		
Designated	14,174,200	13,587,000
Undesignated	1,293,300	1,021,400
Total net assets	<u>16,069,800</u>	<u>15,242,200</u>
 Total liabilities and net assets	 <u>\$ 17,152,800</u>	 <u>\$ 15,563,100</u>

See notes to financial statements.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION  
**Statement of Revenues, Expenses and Changes in Net Assets**  
For the year ended June 30, 2005 with Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
<b>OPERATING REVENUES</b>		
Membership fees	\$ 900,000	\$ 793,700
University of Illinois support incl. benefits	3,515,100	3,360,600
Affinity programs	3,082,900	2,801,000
Other revenues	623,700	552,400
Total operating revenues	<u>8,121,700</u>	<u>7,507,700</u>
<b>OPERATING EXPENSES</b>		
Communications	1,102,700	1,137,300
Information services	957,300	872,200
Membership promotion	577,500	500,900
Alumni outreach programs	2,599,700	2,413,900
General and operating expenses	1,998,200	2,220,200
Total operating expenses	<u>7,235,400</u>	<u>7,144,500</u>
<b>Operating income</b>	<u>886,300</u>	<u>363,200</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	279,700	284,000
Contributions	(1,362,600)	(145,300)
Net increase in fair value of investments	1,024,200	1,806,800
Net nonoperating revenues (expenses)	<u>(58,700)</u>	<u>1,945,500</u>
<b>Increase in net assets</b>	827,600	2,308,700
<b>Net assets, beginning of year</b>	<u>15,242,200</u>	<u>12,933,500</u>
<b>Net assets, end of year</b>	<u>\$ 16,069,800</u>	<u>\$ 15,242,200</u>

See notes to financial statements.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

**Statement of Cash Flows**

For the year ended June 30, 2005 with Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Membership fees	\$ 971,800	\$ 891,900
University of Illinois support	62,800	215,800
Affinity programs	3,782,900	1,626,000
Other revenues	599,500	526,900
Payments to vendors	(1,816,900)	(1,963,400)
Payments for salaries	(653,900)	(520,200)
Payments to University of Illinois	(1,369,000)	(1,385,300)
Net cash provided (used) by operating activities	<u>1,577,200</u>	<u>(608,300)</u>
<b>CASH FLOWS FROM NON-CAPITAL ACTIVITIES</b>		
Contribution to Joan and James Stukel Scholarship Fund	<u>(65,000)</u>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends from investments	279,700	263,400
Dividends reinvested	(225,000)	(245,900)
Investments purchased	(3,839,900)	0
Proceeds from sale of investments and distributions	3,618,200	88,400
Net cash provided (used) by investing activities	<u>(167,000)</u>	<u>105,900</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contribution to Alice Campbell Alumni Center	(1,297,600)	(145,300)
Proceeds from disposition of capital assets	<u>0</u>	<u>200</u>
Net cash (used) by capital and related financing activities	<u>(1,297,600)</u>	<u>(145,100)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	47,600	(647,500)
<b>Cash and cash equivalents - beginning of year</b>	1,549,400	2,196,900
<b>Cash and cash equivalents - end of year</b>	<u>\$ 1,597,000</u>	<u>\$ 1,549,400</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS</b>		
Cash and cash equivalents	\$ 1,521,500	\$ 1,458,800
Restricted cash and cash equivalents	75,500	90,600
Total cash and cash equivalents	<u>\$ 1,597,000</u>	<u>\$ 1,549,400</u>
<b>RECONCILIATION OF NET OPERATING REVENUES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income	\$ 886,300	\$ 363,200
Depreciation	16,400	16,500
Effects of changes in assets and liabilities		
Membership receivables, net	71,800	98,200
Other receivable, net	(30,900)	(27,800)
Accounts Receivable - University of Illinois, net	(126,300)	(76,900)
Inventories	(900)	(2,300)
Prepaid expenses and other assets	(1,300)	229,100
Accounts payable	24,900	(49,900)
Accrued liabilities	30,500	13,500
Deferred revenues	706,700	(1,171,900)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,577,200</u>	<u>\$ (608,300)</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
On-behalf payment of fringe benefits	\$ 747,100	\$ 634,600
University paid salaries	\$ 2,364,100	\$ 2,233,600
University paid operating expenses	\$ 214,800	\$ 200,500

See notes to financial statements.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

**Notes to Financial Statements**

June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Institution**

The Alumni Association was formed to promote the general welfare of the University of Illinois (University) and to encourage and stimulate interest among students, former students and others in the University's programs and progress. In this capacity, the Alumni Association offers memberships in the Alumni Association to former students, conducts various activities for students and alumni, and publishes periodicals for the benefit of alumni.

**Basis of Presentation**

The financial statements of the Alumni Association have been prepared using the accrual basis of accounting, and all amounts have been rounded to the nearest one hundred dollars. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transactions take place. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions. Investment income is included in nonoperating revenues. The Alumni 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.

The Alumni Association is a component unit of the University of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the University's annual financial report.

The basic financial statements include prior-year comparative information, which has been derived from the Alumni Association's 2004 financial statements. Such information does not include all of the information required 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, 2004.

The Alumni Association follows GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, which establishes standards for external financial reporting for public colleges and universities.

Rather than issuing fund-type financial statements, GASB Statement No. 35 requires a Management's Discussion and Analysis, notes to the financial statements, and basic financial statements including a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Alumni Association follows 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 has elected not to apply FASB pronouncements issued after November 30, 1989.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

**Notes to Financial Statements**

June 30, 2005

**Use of Estimates**

The preparation of the 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.

**Cash and Cash Equivalents**

Cash and Cash Equivalents include bank accounts and investments with original maturities of ninety days or less.

**Investments**

The Alumni Association invests a major portion of its assets in mutual and institutional funds comprised of common stock and corporate bonds. Investments are recorded at fair value.

In accordance with its investment policy, the Alumni Association can invest in various mortgage-backed securities, such as collateralized mortgage obligations. These securities are reported at fair value in the Statement of Net Assets. The Alumni Association invests in these securities to maximize yields. Therefore, these securities are sensitive to certain market conditions, such as prepayments by mortgagees. However, these securities represent an insignificant portion of the Alumni Association's investment portfolio.

**Inventories**

Inventories are valued at the lower of cost or market and are principally composed of resale merchandise promoting University loyalty. Cost is determined using the first-in, first-out (FIFO) method.

**Capital Assets**

Capital assets of \$5,000 or more are required to be capitalized. Depreciation is calculated using the straight-line depreciation method over the estimated useful life of each asset. The following estimated useful lives are being used by the Association:

Furniture and fixtures.....	5-20 years
Leasehold improvements and buildings.....	50 years

**Accrued Compensated Absences**

Accrued compensated absences for the Alumni Association personnel are charged as an operating expense using the vesting method based on earned but unused vacation and sick leave days.

**Federal Income Tax Status**

The U. S. Treasury Department issued a determination letter dated May 15, 1945, that the Alumni Association is exempt from Federal income taxes under what is now Section 501(c)(3) of the Internal Revenue Code.



UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

**Notes to Financial Statements**

June 30, 2005

NOTE 2 – TRANSACTIONS WITH RELATED PARTIES

The Alumni Association enters into an annual contract with the University of Illinois which includes provisions requiring the Alumni Association to comply with Section VI of “University Guidelines 1982” as adopted by the State of Illinois Legislative Audit Commission. The contract requires the Alumni Association to reimburse the University for the cost of services received and requires the University to reimburse the Alumni Association for a portion of the cost of services provided.

The Alumni Association is required to recognize as revenue and expense those on-behalf payments for fringe benefits made by the State of Illinois for University employees who are supervised by the Alumni Association. These payments (estimated at \$747,100 at June 30, 2005) are included in the amounts shown as University of Illinois Support (revenue) and are distributed to the appropriate expenses on the Statement of Revenues, Expenses and Changes in Net Assets.

Transactions between the Alumni Association and the University include the following:

- The Alumni Association managed and supervised University employees engaged in the maintenance of University alumni records, support of alumni-relations activities, and preparation of alumni periodicals that are published by the Alumni Association. The salaries for these University employees of \$2,364,100 for 2005 are reflected in the Statement of Revenues, Expenses and Changes in Net Assets. The Alumni Association received \$183,700 in 2005 as partial reimbursement from the University for these management and supervisory services.
- The Alumni Association received certain equipment, materials/supplies, services, telecommunications and transportation from the University which were used for field activities and non-recurring operating expenses. These items are reflected in the Statement of Revenues, Expenses and Changes in Net Assets.
- The University provided office space to the Alumni Association at an annual rental of \$169,000 in 2005.
- The Alumni Association obtained certain goods and services (supplies, telephone, printing, data processing, catering, etc.) through the University. The Alumni Association reimbursed the University at full cost for these goods and services during 2005.
- The Alumni Association contributed \$1 million in 2005 to the University of Illinois for construction of the Alice Campbell Alumni Center on the Urbana-Champaign campus.
- The Alumni Association contributed \$297,600 in 2005 to the University of Illinois Foundation for the Alice Campbell Alumni Center on the Urbana-Champaign campus, donated \$65,000 to the University of Illinois Foundation for the Joan and James Stukel Scholarship Fund, and also paid the University of Illinois Foundation \$17,500 for other programs.
- The University of Illinois Foundation reimbursed the Alumni Association \$34,200 for alumni relations events and for recognition of University contributors in its publications in 2005.
- The Alumni Association distributed \$500,000 to the University from its affinity program guaranteed royalty agreement with MBNA America during 2005.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION  
**Notes to Financial Statements**  
 June 30, 2005

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents consist of the following at June 30, 2005:

Petty Cash	\$ 300
Cash Deposits	1,511,300
Money Market Funds	39,900
Certificates of Deposit	45,500
	<u>\$ 1,597,000</u>

Cash and Cash Equivalents are categorized below to give an indication of the level of risk assumed by the Alumni Association at June 30. Category 1 includes bank deposits covered by federal depository insurance or collateralized with securities held by the Alumni Association's agent in the Alumni Association's name. Category 2 includes bank deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Alumni Association's name. Category 3 includes bank deposits that are uninsured, uncollateralized, or are collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Alumni Association's name.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1	\$ 165,400	\$ 165,400
Category 2	1,410,600	1,492,600
Category 3	21,000	21,000
	<u>\$ 1,597,000</u>	<u>\$ 1,679,000</u>

NOTE 4 – INVESTMENTS

During 2005 the Alumni Association realized net losses of \$182,700 from the sale of investments. 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 change in the fair value of investments during 2005 was \$1,024,200. The unrealized gain on investments held at year-end was \$1,206,900 at June 30, 2005. The carrying value of the investment portfolio of the Alumni Association at June 30, 2005 is as follows:

	<u>Carrying Amount</u>
Mutual Funds	
Fixed Income	\$ 3,614,800
Equities	10,666,200
Real Estate Partnerships	123,300
	<u>14,404,300</u>
Total Investments	<u>\$ 14,404,300</u>

## UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

### Notes to Financial Statements

June 30, 2005

The Board of Directors has established an investment policy that is intended to provide for sufficient funds to meet a portion of the near-term operating requirements of the Alumni Association including providing services and benefits to our life members. In addition, the investment policy focuses on generating a positive net real return (investment return, net of fees, spending and inflation) to meet the longer-term funding requirements of the Alumni Association. For fiscal year 2005, the target spending rate of 6% of the five-year moving average of the market value of the Membership Fund was used to fund operations. Actual spending rates in future years may be greater or less than the target spending rate.

Nearly all of the Alumni Association's investments are managed by external investment managers, who have full discretion to manage their portfolios subject to investment policy and manager guidelines established by the Alumni Association, and in the case of mutual funds and other commingled vehicles, in accordance with the applicable prospectus.

#### *Credit Risk*

The Alumni Association's investment policy requires that short-term funds be invested in obligations of the U.S. government and other fixed income securities and money market instruments rated investment grade by a recognized rating agency.

Manager guidelines for long-term fixed income investments require that at least 70% of each manager's portfolio be investment grade and that the weighted average of each portfolio not fall below a rating of A or better by Standard & Poor's or equivalent. The Alumni Association also invests in bond mutual funds with average credit quality that approximates the Lehman Brothers Aggregate Bond Index. As of June 30, 2005 the Alumni Association's investments in long-term fixed income investments consisted of mutual funds valued at \$3,614,800 with an average credit rating of AA1/AA2 by Moody's.

#### *Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Alumni Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2005 the Alumni Association's deposits not covered by depository insurance were \$1,492,600 collateralized by federal agency and municipal bonds with a par value of \$3,000,000 and market value of \$3,070,100, pledged by the financial institution.

#### *Concentration of Credit Risk*

The Alumni Association's investment policy provides that short-term funds shall be broadly diversified. The Alumni Association's manager guidelines for long-term fixed income investments provide that non-U.S. government obligations may not exceed 10% per issuer, private mortgage-backed and asset-backed securities may not exceed 10% per issuer (unless collateral is credit-independent of the issuer and the security's credit enhancement is generally internally, in which case the limit is 25% per issuer), and obligations of other issuers (other than the U.S. government, U.S. agencies, or U.S. government-sponsored corporations and agencies) may not exceed 5%.

As of June 30, 2005 not more than 5% of the Alumni Association's total investments were invested in securities of any one issuer, excluding securities issued or guaranteed by the U.S. government, mutual funds, and external investment pools or other pooled investments.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2005

*Interest Rate Risk*

To manage its exposure to fair value losses arising from increasing interest rates, the Alumni Association invests its short-term investments in money market funds and other commingled vehicles with average maturities of up to approximately two years. The Alumni Association's investment manager guidelines for long-term fixed income investments provide that the Lehman Brothers Aggregate Bond Index serve as a benchmark to evaluate performance. As of June 30, 2005 the Alumni Association's long-term fixed income investments consisted of mutual funds valued at \$3,614,800 employing a portfolio strategy designed to track the Lehman Brothers Aggregate Bond Index and match the risk and return characteristics. As of June 30, 2005 the duration for these mutual funds was 4.5 years.

*Foreign Currency Risk*

The Alumni Association's short-term investments generally are not exposed to foreign currency risk.

The Alumni Association's long-term investments may be exposed to foreign currency risk. Equity portfolios may be invested up to 100% in common stocks of companies domiciled in countries other than the U.S. and traded on recognized exchanges throughout the world. As of June 30, 2005 the Alumni Association's investments exposed to foreign currency risk consisted of equity mutual funds with U.S. dollar balances of \$3,083,000. Investments in countries representing more than 5% of the total U.S. dollar balances were as follows: United Kingdom 19.3%, Japan 9.2%, Germany 8.5%, Sweden 7.2%, France 6.6%, Korea 6.1%, Netherlands 5.5%, and Spain 5.4%.

The Alumni Association implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3) for the fiscal year ending June 30, 2005.

NOTE 5 – CAPITAL ASSETS

Capital assets as of June 30, 2005, were comprised of the following:

Furniture and fixtures	\$ 61,400
Leasehold improvements	9,400
Buildings	492,200
Total Capital Assets	<u>563,000</u>
Less: Accumulated Depreciation	<u>(36,200)</u>
Net Capital Assets	<u>\$ 526,800</u>

NOTE 6 – LIFE MEMBERSHIPS RECEIVABLE

Life Memberships Receivable represents the commitments made by alumni to become life members of the Association. The Association has recorded a valuation allowance for these receivables. The receivables are recorded at discounted present values based on the annual commitment of the alumni using a 3.0% discount factor, net of the allowance. The allowance for uncollectible life memberships was \$53,500 at June 30, 2005.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2005

The scheduled commitments presented without discounting and discounted to net present value at June 30, 2005, are as follows:

Fiscal year ending June 30,	Total Receivable	Discounted Receivable	Discounted Receivable, net of allowance
2006	\$ 147,000	\$ 147,000	\$ 125,000
2007	64,800	62,900	50,300
2008	44,000	41,500	31,100
2009	26,300	24,000	16,800
2010	3,500	3,100	1,900
Total Life Memberships Receivable	\$ 285,600	\$ 278,500	\$ 225,100

NOTE 7 – AFFINITY PROGRAMS

The Alumni Association has established affinity programs with service providers for credit cards, group insurance programs, tour programs and special merchandise. In exchange for the use of its name and logo, the Association receives royalties, refunds or commissions, depending on the nature of the affinity partner's business services. These remunerations are used to support programs and services provided by the Association. Under negotiated agreements, remunerations may be advanced to the Association.

NOTE 8 – RETIREMENT PLAN AND POST-EMPLOYMENT BENEFITS

The Alumni Association contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of the State universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SURS, 1901 Fox Drive, Champaign, IL 61820, or by calling (800) 275-7877.

Plan members are required to contribute 8.0% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 11.12% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer's contributions to SURS for the years ending June 30, 2005, 2004, and 2003, were \$45,100, \$44,800, and \$42,800, respectively, equal to the required contributions for each year.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

**Notes to Financial Statements**

June 30, 2005

Participation in SURS does not exempt an employee or the Alumni Association from contributing to Social Security, under which all employees are covered.

In addition to providing pension benefits, the State of Illinois provides certain health, dental and life insurance benefits to annuitants. This includes annuitants of the Alumni Association. Substantially all State employees, including the Alumni Association's employees, may become eligible for post-employment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits for annuitants under age 60 are equal to their annual salary at the time of retirement; life insurance benefits for annuitants age 60 or older are limited to \$5,000 per annuitant.

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. The cost of health, dental and life insurance benefits is recognized by the State on a pay-as-you-go basis. These costs are funded by the State and are not an obligation of the Alumni Association or the University.

Employees of the Alumni Association may also elect to participate in the Teachers Insurance and Annuity Association/College Retirement Equities Fund Tax-Deferred Annuity Plan and/or the Mutual Benefit Life Insurance Company Tax-Deferred Annuity Plan. These are single-employer plans under which benefits are provided to participating employees through individually insured contracts issued to each individual. Participation and the level of employee contributions are voluntary. The Alumni Association is not required to make contributions.

**NOTE 9 – LEASE COMMITMENTS**

The Alumni Association has various operating leases expiring in various years through 2006. Future minimum lease payments under these leases are as follows:

2006	\$ 25,300
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Minimum lease payments exclude rentals under renewal options, which, as of June 30, 2005, are not reasonably assured of being exercised.

Total lease expense for the year ended June 30, 2005, was \$86,000.

**NOTE 10 -- RECLASSIFICATION**

The classification of payments on the Statement of Cash Flows has been reclassified between payments to vendors and payments to University of Illinois in the June 30, 2004, comparative totals in order to conform to the June 30, 2005, presentation. In addition, the classification of contributions made for the Alice Campbell Alumni Center on the Statement of Cash Flows has been reclassified between cash flows from non-capital activities and cash flows from capital and related financing activities in the June 30, 2004, comparative totals in order to conform to the June 30, 2005 presentation.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

**Notes to Financial Statements**

June 30, 2005

NOTE 11 – LINE OF CREDIT

The Alumni Association has a revolving line of credit with the University of Illinois for up to \$6,133,900, as defined in attachment A of the University of Illinois internal loan agreement with the Alumni Association, that is good through December 31, 2009. This line of credit is for the construction of the Alice Campbell Alumni Center. Amounts drawn against the line of credit are repayable as funds are received from Alumni Center donors and from affinity program distributions. This revolving line of credit bears interest at the Lehman Brothers Intermediate Aggregate Index yield from April 1 to March 31 each year (3.8% at June 30, 2005). None of the credit line was used as of June 30, 2005.

NOTE 12 – ALICE CAMPBELL ALUMNI CENTER

The Alumni Association has made a commitment to the construction of the Alice Campbell Alumni Center on the Urbana-Champaign Campus. The total project cost is \$16.1 million, of which \$7.7 million had been paid as of June 30, 2005. The remaining balance of the project, \$8.4 million, will be funded first from contributions, pledges and bequests received by the University of Illinois Foundation (Foundation) and designated for the Alice Campbell Alumni Center. Donors other than the Alumni Association have made contributions, pledges and bequests to the Foundation for this project in the amount of \$12.8 million as of June 30, 2005. Of these contributions, pledges and bequests, \$6.7 million have been collected and given to the University for construction of the building as of June 30, 2005. An additional \$1.0 million was provided by the Alumni Association from credit card affinity revenues held for construction of the building. The \$8.4 million balance remaining for construction as of June 30, 2005, will be then paid from credit card affinity revenues, in excess of the amount designated for operations, of the Alumni Association, followed by the proceeds of the line of credit (see note 11) held with the University of Illinois. After construction has been completed, the remaining pledges and bequests will be paid to the Alumni Association by the Foundation and will first be used to pay down the line of credit, then to replenish the funds used by the Alumni Association for construction of the building. Ownership of the building will belong to the University after the construction has been completed.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION  
**Combining Statement of Net Assets (Unaudited)**  
As of June 30, 2005 with Comparative Totals for 2004

	<b>Funds</b>		
	<b>Operating</b>	<b>Advance</b>	<b>Membership</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 37,800	\$ 1,357,100	\$ (14,700)
Restricted cash and cash equivalents	0	0	0
Accounts receivable - University of Illinois	203,200	0	0
Accounts receivable - other	49,700	0	61,800
Life memberships receivable, net	31,400	0	73,400
Inventories	4,700	0	0
Prepaid expenses	71,400	0	0
Due from (to) other funds	452,400	0	(1,022,400)
Total current assets	<u>850,600</u>	<u>1,357,100</u>	<u>(901,900)</u>
<b>Noncurrent Assets</b>			
Investments	0	0	14,359,800
Life memberships receivable, net	24,100	0	59,200
Capital assets, net of depreciation	0	0	0
Total noncurrent assets	<u>24,100</u>	<u>0</u>	<u>14,419,000</u>
Total assets	<u>\$ 874,700</u>	<u>\$ 1,357,100</u>	<u>\$ 13,517,100</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable - University of Illinois	\$ 70,500	\$ 0	\$ 0
Accounts payable - others	22,000	0	0
Accrued liabilities	201,100	0	0
Deferred revenues	35,500	700,000	0
Total current liabilities	<u>329,100</u>	<u>700,000</u>	<u>0</u>
<b>Noncurrent Liabilities</b>			
Deferred revenues	8,600	0	0
Total noncurrent liabilities	<u>8,600</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>337,700</u>	<u>700,000</u>	<u>0</u>
<b>NET ASSETS</b>			
Restricted - expendable for class activities	0	0	0
Invested in capital assets	0	0	0
Unrestricted			
Designated	0	657,100	13,517,100
Undesignated	537,000	0	0
Total net assets	<u>537,000</u>	<u>657,100</u>	<u>13,517,100</u>
Total liabilities and net assets	<u>\$ 874,700</u>	<u>\$ 1,357,100</u>	<u>\$ 13,517,100</u>



UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

<u>Student</u>	<u>Constituent</u>	<u>Class Secretaries'</u>	<u>Plant</u>	<u>Total 2005</u>	<u>Memo 2004</u>
\$ 53,700	\$ 87,300	\$ 0	\$ 300	\$ 1,521,500	\$ 1,458,800
0	0	75,500	0	75,500	90,600
0	0	0	0	203,200	76,900
8,300	500	0	0	120,300	89,400
0	20,200	0	0	125,000	141,800
0	0	0	0	4,700	3,800
0	0	0	0	71,400	70,100
0	570,000	0	0	0	0
<u>62,000</u>	<u>678,000</u>	<u>75,500</u>	<u>300</u>	<u>2,121,600</u>	<u>1,931,400</u>
0	44,500	0	0	14,404,300	12,933,400
0	16,800	0	0	100,100	155,100
0	0	0	526,800	526,800	543,200
<u>0</u>	<u>61,300</u>	<u>0</u>	<u>526,800</u>	<u>15,031,200</u>	<u>13,631,700</u>
<u>\$ 62,000</u>	<u>\$ 739,300</u>	<u>\$ 75,500</u>	<u>\$ 527,100</u>	<u>\$ 17,152,800</u>	<u>\$ 15,563,100</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 70,500	\$ 58,500
200	33,900	0	0	56,100	43,200
600	300	0	0	202,000	171,500
10,300	0	0	0	745,800	39,100
<u>11,100</u>	<u>34,200</u>	<u>0</u>	<u>0</u>	<u>1,074,400</u>	<u>312,300</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,600</u>	<u>8,600</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,600</u>	<u>8,600</u>
<u>11,100</u>	<u>34,200</u>	<u>0</u>	<u>0</u>	<u>1,083,000</u>	<u>320,900</u>
0	0	75,500	0	75,500	90,600
0	0	0	526,800	526,800	543,200
0	0	0	0	14,174,200	13,587,000
50,900	705,100	0	300	1,293,300	1,021,400
<u>50,900</u>	<u>705,100</u>	<u>75,500</u>	<u>527,100</u>	<u>16,069,800</u>	<u>15,242,200</u>
<u>\$ 62,000</u>	<u>\$ 739,300</u>	<u>\$ 75,500</u>	<u>\$ 527,100</u>	<u>\$ 17,152,800</u>	<u>\$ 15,563,100</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

**Combining Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)**

Year ended June 30, 2005 with Comparative Totals for 2004

	<b>Funds</b>		
	<b>Operating</b>	<b>Advance</b>	<b>Membership</b>
<b>OPERATING REVENUES</b>			
Membership fees	\$ 595,700	\$ 0	\$ 163,100
University of Illinois support	3,504,400	0	0
Affinity programs	380,300	2,700,000	0
Other revenues	381,900	100	0
Total operating revenues	<u>4,862,300</u>	<u>2,700,100</u>	<u>163,100</u>
<b>OPERATING EXPENSES</b>			
Communications	1,102,700	0	0
Information services	957,300	0	0
Membership promotion	573,000	0	0
Alumni outreach programs	2,195,100	0	0
General and operating expenses	1,481,800	500,000	0
Total operating expenses	<u>6,309,900</u>	<u>500,000</u>	<u>0</u>
<b>Operating income (expense)</b>	<u>(1,447,600)</u>	<u>2,200,100</u>	<u>163,100</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	6,000	26,300	243,800
Contributions	0	(1,362,000)	0
Net increase in fair value of investments	0	0	1,024,100
Net nonoperating revenues (expenses)	<u>6,000</u>	<u>(1,335,700)</u>	<u>1,267,900</u>
<b>Transfers - additions (deductions)</b>	<u>1,684,900</u>	<u>(1,000,000)</u>	<u>(708,200)</u>
<b>Increase (decrease) in net assets</b>	243,300	(135,600)	722,800
<b>Net assets, beginning of year</b>	<u>293,700</u>	<u>792,700</u>	<u>12,794,300</u>
<b>Net assets, end of year</b>	<u>\$ 537,000</u>	<u>\$ 657,100</u>	<u>\$ 13,517,100</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

<u>Student</u>	<u>Constituent</u>	<u>Class Secretaries'</u>	<u>Plant</u>	<u>Total 2005</u>	<u>Memo 2004</u>
\$ 0	\$ 141,200	\$ 0	\$ 0	\$ 900,000	\$ 793,700
10,700	0	0	0	3,515,100	3,360,600
2,600	0	0	0	3,082,900	2,801,000
66,200	175,500	0	0	623,700	552,400
<u>79,500</u>	<u>316,700</u>	<u>0</u>	<u>0</u>	<u>8,121,700</u>	<u>7,507,700</u>
0	0	0	0	1,102,700	1,137,300
0	0	0	0	957,300	872,200
4,500	0	0	0	577,500	500,900
124,500	280,100	0	0	2,599,700	2,413,900
0	0	0	16,400	1,998,200	2,220,200
<u>129,000</u>	<u>280,100</u>	<u>0</u>	<u>16,400</u>	<u>7,235,400</u>	<u>7,144,500</u>
<u>(49,500)</u>	<u>36,600</u>	<u>0</u>	<u>(16,400)</u>	<u>886,300</u>	<u>363,200</u>
0	3,600	0	0	279,700	284,000
0	(600)	0	0	(1,362,600)	(145,300)
0	100	0	0	1,024,200	1,806,800
0	3,100	0	0	(58,700)	1,945,500
<u>49,500</u>	<u>(11,200)</u>	<u>(15,100)</u>	<u>100</u>	<u>0</u>	<u>0</u>
0	28,500	(15,100)	(16,300)	827,600	2,308,700
50,900	676,600	90,600	543,400	15,242,200	12,933,500
<u>\$ 50,900</u>	<u>\$ 705,100</u>	<u>\$ 75,500</u>	<u>\$ 527,100</u>	<u>\$ 16,069,800</u>	<u>\$ 15,242,200</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION  
**Expenditures by Funding Source (Unaudited)**  
Year ended June 30, 2005 with Comparative Totals for 2004

The following schedule of Expenditures by Funding Source shows the cost of alumni relations activities conducted by the Alumni Association including costs paid by the Alumni Association and those paid by the University.

	<b>2005</b>			<b>2004</b>		
	<b>Alumni Association</b>	<b>University</b>	<b>Total</b>	<b>Alumni Association</b>	<b>University</b>	<b>Total</b>
Communications	\$ 506,000	\$ 596,700	\$ 1,102,700	\$ 471,700	\$ 665,600	\$ 1,137,300
Information services	196,500	760,800	957,300	251,000	621,200	872,200
Membership promotion	327,700	249,800	577,500	247,800	253,100	500,900
Alumni outreach programs	1,432,800	1,166,900	2,599,700	1,286,300	1,127,600	2,413,900
General and operating expenses	1,257,300	740,900	1,998,200	1,527,100	693,100	2,220,200
<b>Total expenditures</b>	<b>\$ 3,720,300</b>	<b>\$ 3,515,100</b>	<b>\$ 7,235,400</b>	<b>\$ 3,783,900</b>	<b>\$ 3,360,600</b>	<b>\$ 7,144,500</b>



**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Honorable William G. Holland  
Auditor General  
State of Illinois  
And  
The Board of Directors  
University of Illinois Alumni Association

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the University of Illinois Alumni Association (Alumni Association), as of and for the year ended June 30, 2005, and have issued our report thereon dated July 29, 2005. 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 Alumni 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 over financial reporting 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 Alumni 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, the Audit Committee, the Board of Directors of the Alumni Association, and Alumni Association management, and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gunderson LLP*

Peoria, Illinois  
July 29, 2005

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