



UNIVERSITY OF ILLINOIS
ALUMNI ASSOCIATION

Building Relationships for Life

Financial Statements

Year Ended June 30, 2007

with

Reports of Independent Public Accountants

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

Table of Contents

	Page
Financial Statement Report Summary	2
Independent Auditor's Report.....	3
Management's Discussion and Analysis.....	4
 Financial Statements	
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Net Assets.....	11
Statement of Cash Flows	12
Notes to Financial Statements.....	13
 Supplementary Information	
Combining Statement of Net Assets (unaudited).....	24
Combining Statement of Revenues, Expenses and Changes in Net Assets (unaudited).....	26
Expenditures by Funding Source (unaudited).....	28
 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	 30

FINANCIAL STATEMENT REPORT
SUMMARY

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

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

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, and a component unit of the State of Illinois, as of and for the year ended June 30, 2007, 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 2006 financial statements, and in our report dated July 28, 2006, 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, 2007, 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 September 27, 2007 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
September 27, 2007

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2007, with Comparative Totals for 2006

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, 2007, with selected comparative information for the year ended June 30, 2006. 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 for the purposes of fostering a spirit of loyalty and fraternity among the graduates and former students of the University and to effect united action in promoting the welfare of the University. 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 and the University.

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; career counseling; 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. The Alumni Association also manages the Alice Campbell Alumni Center in Urbana with a variety of spaces available for events.

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, 2007 and 2006 is as follows:

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2007, with Comparative Totals for 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 1,248,000	\$ 2,167,900
Noncurrent assets	16,716,200	14,436,000
Capital assets, net of depreciation	749,500	640,700
Total assets	<u>\$ 18,713,700</u>	<u>\$ 17,244,600</u>
Liabilities		
Current liabilities	1,759,300	2,355,400
Noncurrent liabilities	2,638,600	3,994,700
Total liabilities	<u>4,397,900</u>	<u>6,350,100</u>
Net assets	<u>14,315,800</u>	<u>10,894,500</u>
Total liabilities and net assets	<u>\$ 18,713,700</u>	<u>\$ 17,244,600</u>

Total assets increased nearly \$1.5 million to \$18.7 million during fiscal year 2007. This increase is due primarily to an increase in investments of \$2.3 million partially offset by a decline of \$0.9 million in current assets. Total liabilities decreased by almost \$2.0 million during fiscal year 2007 due primarily to a \$1.3 million decrease in the U of I credit line utilized to finance a portion of the construction of the Alice Campbell Alumni Center and a \$0.7 million decrease in deferred revenues.

The Alumni Association's resources are classified into net assets in the Statement of Net Assets. These categories are defined as Invested in capital assets – capital assets net of accumulated depreciation, and Unrestricted – assets not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Directors. Net asset balances are detailed below:

	<u>2007</u>	<u>2006</u>
Net assets		
Invested in capital assets	\$ 749,500	\$ 640,700
Unrestricted		
Designated	13,040,900	9,394,200
Undesignated	525,400	859,600
Total net assets	<u>\$ 14,315,800</u>	<u>\$ 10,894,500</u>

The Alumni Association's total net assets increased by \$3.4 million during fiscal year 2007 due to \$2.8 million of investment income and realized gains from sale of investments, and unrealized gains from investments and a \$1.3 million decrease in the U of I credit line.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2007, with Comparative Totals for 2006

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, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Operating revenues		
Membership fees	\$ 1,081,700	\$ 1,064,100
University of Illinois	4,905,300	3,942,900
Affinity programs	3,502,200	3,311,100
Other revenues	974,500	794,600
Total operating revenues	<u>10,463,700</u>	<u>9,112,700</u>
Total operating expenses	<u>9,690,900</u>	<u>8,727,000</u>
Operating income	<u>772,800</u>	<u>385,700</u>
Nonoperating revenues (expenses)		
Investment income	336,300	316,700
Contributions	(684,900)	(6,949,600)
Contributions received	722,900	0
Interest expense	(216,100)	(69,500)
Net increase in fair value of investments	2,490,300	1,141,400
Net nonoperating revenues (expenses)	<u>2,648,500</u>	<u>(5,561,000)</u>
Increase (decrease) in net assets	3,421,300	(5,175,300)
Net assets, beginning of the year	<u>10,894,500</u>	<u>16,069,800</u>
Net assets, end of the year	<u>\$ 14,315,800</u>	<u>\$ 10,894,500</u>

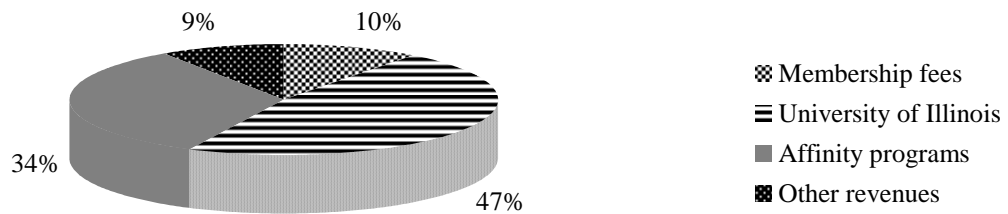
Fiscal year 2007 activities resulted in a \$3.4 million increase in net assets. This increase results from \$0.8 million in operating income and \$2.6 million in net nonoperating revenues (expenses). Operating revenues are generated through four primary sources: membership fees, the University of Illinois, affinity programs, and other revenues. Operating revenues grew \$1.4 million in fiscal year 2007 compared to fiscal year 2006. All four primary sources of revenue contributed to this growth. Membership revenues grew in part due to strong response rates to solicitation programs marketing a new membership benefit, online journal access in partnership with the University of Illinois Libraries. The University of Illinois revenues grew due to the recognition of approximately \$1.0 million of in-kind rent for the use of the Alice Campbell Alumni Center and additional support for the transfer of Illinois Connection, the University's legislative advocacy program, to the Alumni Association. Affinity programs grew due to a contractual increase in the credit card program royalties and an increase in other financial services royalties and tour program commissions. Total operating expenses were \$0.9 million higher during fiscal year 2007 compared to fiscal year 2006. Growth in these expenses was due to \$0.5 million of additional expenses in general and operating, communications, information services and alumni outreach programs, and \$0.4 million of additional personnel expenses and related employee benefits. Net nonoperating revenues (expenses) were \$2.6 million during fiscal year 2007 due primarily to \$2.8 million of investment income and realized gains from sale of investments, and unrealized gains from investments.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Management's Discussion and Analysis

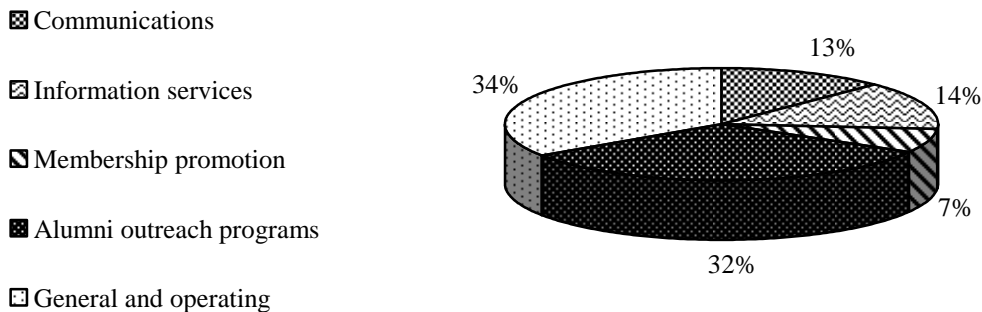
Fiscal Year Ending June 30, 2007, with Comparative Totals for 2006

The following graphically illustrates the operating revenues that were used to fund the Alumni Association's operating activities for the year ended June 30, 2007.

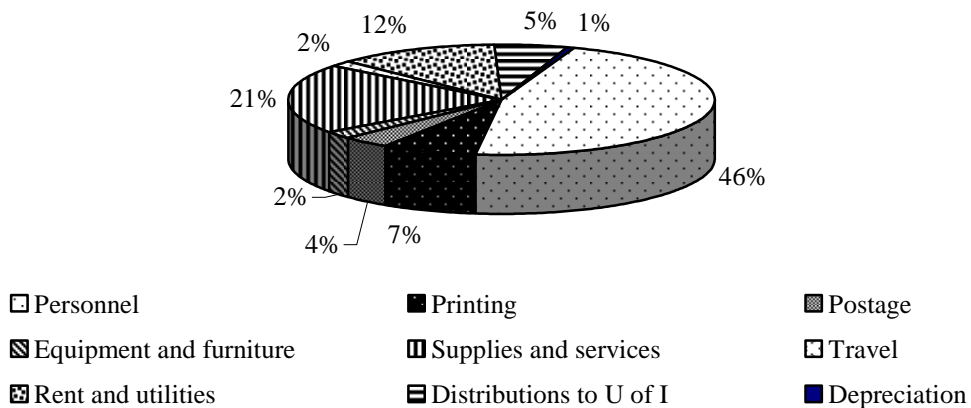


The Alumni Association chooses to report its expenses by functional classifications, rather than natural classifications, in the Statement of Revenues, Expenses and Changes in Net Assets. The following graphics illustrate the expenses for each method of classification.

Functional Classification



Natural Classification



UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2007, with Comparative Totals for 2006

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, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Total sources	\$ 4,847,100	5,463,800
Total uses	(4,978,000)	(4,710,500)
Net cash provided (used) by operating activities	<u>(130,900)</u>	<u>753,300</u>
Cash flows from investing activities		
Net cash provided by investing activities	<u>575,800</u>	<u>1,559,500</u>
Cash flows from capital and related financing activities		
Contribution to Alice Campbell Alumni Center	(309,300)	(322,800)
Credit line repayments	(1,142,500)	(1,585,000)
Payments for purchase of capital assets	(169,200)	(134,700)
Net cash (used) by capital and related financing activities	<u>(1,621,000)</u>	<u>(2,042,500)</u>
Net increase (decrease) in cash and cash equivalents	(1,176,100)	270,300
Cash and cash equivalents - beginning of the year	<u>1,867,300</u>	<u>1,597,000</u>
Cash and cash equivalents - end of the year	<u>\$ 691,200</u>	<u>\$ 1,867,300</u>

Cash flows from all sources decreased \$1.2 million during fiscal year 2007. Cash flows generated from operating and investing activities were \$0.4 million during fiscal year 2007 offset by \$1.6 million of cash flows used for credit line repayments, contributions, and purchases of capital assets relating primarily to the construction of the Alice Campbell Alumni Center.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2007, with Comparative Totals for 2006

Economic Factors that Will Affect the Future

The Alumni Association and the University's Board of Trustees recently agreed to a memorandum of understanding that clarifies the Alumni Association's responsibilities and its relationship to the University. In addition, the University, the Foundation and the Alumni Association recently completed an advancement technology project to assess the technological needs and capabilities of the development and alumni relations community. The memorandum of understanding and the advancement technology project provide the Alumni Association with valuable guidance and information pertaining to its core services and mission. 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 service obligations to its members.

Construction of the Alice Campbell Alumni Center was completed in the 2006 fiscal year with a formal dedication ceremony held on May 12, 2006. The Alice Campbell Alumni Center is renting spaces including a ballroom, great room, lounge and library enabling us to host Alumni Association, alumni, University-related, and community events. Construction is being funded through private gifts (see note 11). In addition, our University of Illinois at Springfield staff will soon move into a building in the center of campus increasing our visibility with students and alumni on that 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. With the University operating in an uncertain state budget environment, the Alumni Association is working to enhance its relevance and value to alumni, the University, and the University of Illinois Foundation. 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, 2007 with Comparative Totals for 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 691,200	\$ 1,867,300
Accounts receivable - University of Illinois	186,000	55,700
Accounts receivable - other	164,900	103,300
Life memberships receivable, net	90,900	82,900
Inventories	3,700	3,000
Prepaid expenses	111,300	55,700
Total current assets	<u>1,248,000</u>	<u>2,167,900</u>
Noncurrent Assets		
Investments	16,560,000	14,302,900
Life memberships receivable, net	156,200	133,100
Capital assets, net of accumulated depreciation	749,500	640,700
Total noncurrent assets	<u>17,465,700</u>	<u>15,076,700</u>
 Total assets	 <u>\$ 18,713,700</u>	 <u>\$ 17,244,600</u>
LIABILITIES		
Current liabilities		
Accounts payable - University of Illinois	125,300	97,500
Accounts payable - others	117,900	165,100
Accrued liabilities	262,600	206,400
Deferred revenues	40,900	761,200
Credit Line - University of Illinois	1,212,600	1,125,200
Total current liabilities	<u>1,759,300</u>	<u>2,355,400</u>
Noncurrent Liabilities		
Credit Line - University of Illinois	2,630,000	3,986,100
Deferred revenues	8,600	8,600
Total noncurrent liabilities	<u>2,638,600</u>	<u>3,994,700</u>
 Total liabilities	 <u>4,397,900</u>	 <u>6,350,100</u>
NET ASSETS		
Invested in capital assets	749,500	640,700
Unrestricted		
Designated	13,040,900	9,394,200
Undesignated	525,400	859,600
Total net assets	<u>14,315,800</u>	<u>10,894,500</u>
 Total liabilities and net assets	 <u>\$ 18,713,700</u>	 <u>\$ 17,244,600</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, 2007 with Comparative Totals for 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Membership fees	\$ 1,081,700	\$ 1,064,100
University of Illinois support incl. benefits	4,905,300	3,942,900
Affinity programs	3,502,200	3,311,100
Other revenues	974,500	794,600
Total operating revenues	<u>10,463,700</u>	<u>9,112,700</u>
OPERATING EXPENSES		
Communications	1,212,100	1,110,500
Information services	1,354,200	1,215,700
Membership promotion	674,700	589,500
Alumni outreach programs	3,101,000	2,842,800
General and operating expenses	3,348,900	2,968,500
Total operating expenses	<u>9,690,900</u>	<u>8,727,000</u>
Operating income	<u>772,800</u>	<u>385,700</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	336,300	316,700
Contributions	(684,900)	(6,949,600)
Contributions received	722,900	0
Interest expense	(216,100)	(69,500)
Net increase in fair value of investments	2,490,300	1,141,400
Net nonoperating revenues (expenses)	<u>2,648,500</u>	<u>(5,561,000)</u>
Increase (decrease) in net assets	3,421,300	(5,175,300)
Net assets, beginning of year	<u>10,894,500</u>	<u>16,069,800</u>
Net assets, end of year	<u>\$ 14,315,800</u>	<u>\$ 10,894,500</u>

See notes to financial statements.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Statement of Cash Flows

For the year ended June 30, 2007 with Comparative Totals for 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Membership fees	\$ 1,050,600	\$ 1,073,200
University of Illinois support	103,800	252,500
Affinity programs	2,799,000	3,336,100
Other revenues	893,700	802,000
Payments to vendors	(3,042,100)	(2,097,700)
Payments for salaries	(924,100)	(742,100)
Payments to University of Illinois	(1,011,800)	(1,870,700)
Net cash provided (used) by operating activities	<u>(130,900)</u>	<u>753,300</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends from investments	336,300	316,700
Dividends reinvested	(283,500)	(251,000)
Investments purchased	(180,000)	(33,000)
Proceeds from sale of investments and distributions	703,000	1,526,800
Net cash provided by investing activities	<u>575,800</u>	<u>1,559,500</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contribution to Alice Campbell Alumni Center	(309,300)	(322,800)
Credit line repayments	(1,142,500)	(1,585,000)
Payments for purchase of capital assets	(169,200)	(134,700)
Net cash used by capital and related financing activities	<u>(1,621,000)</u>	<u>(2,042,500)</u>
Net increase (decrease) in cash and cash equivalents	(1,176,100)	270,300
Cash and cash equivalents - beginning of year	1,867,300	1,597,000
Cash and cash equivalents - end of year	<u>\$ 691,200</u>	<u>\$ 1,867,300</u>
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 772,800	\$ 385,700
Depreciation	60,400	20,800
Investment fees deducted from investment account	(6,300)	0
Effects of changes in assets and liabilities		
Membership receivables, net	(31,100)	9,100
Other receivable, net	(61,600)	17,000
Accounts Receivable - University of Illinois, net	(130,300)	147,500
Inventories	(700)	1,700
Prepaid expenses and other assets	(55,600)	15,700
Accounts payable	(19,400)	136,000
Accrued liabilities	61,200	4,400
Deferred revenues	(720,300)	15,400
Net cash provided (used) by operating activities	<u>\$ (130,900)</u>	<u>\$ 753,300</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
On-behalf payment of fringe benefits	\$ 886,700	\$ 893,000
University Foundation payments for credit line	\$ 722,900	\$ 0
University paid salaries	\$ 2,608,100	\$ 2,408,500
University payments for Alice Campbell Alumni Center construction	\$ 380,600	\$ 6,626,800
University paid operating expenses	\$ 1,178,500	\$ 536,400

See notes to financial statements.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2007

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 2006 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, 2006.

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, 2007

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 also consist of certificates of deposit with original maturities in excess of ninety days. 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, 2007

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 \$853,300 at June 30, 2007) 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:

- \$33,400 was paid by the University for benefits in addition to the in-kind estimate above. The Alumni Association received \$285,600 in 2007 as partial reimbursement from the University for these management and supervisory services.
- 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 \$2,608,100 for 2007 are reflected in the Statement of Revenues, Expenses and Changes in Net Assets.
- 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 \$1,069,000 in 2007 as well as other professional services amounting to \$55,900.
- 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 2007.
- The Alumni Association contributed \$380,600 in 2007 to the University of Illinois for construction of the Alice Campbell Alumni Center on the Urbana-Champaign campus.
- The Alumni Association received \$722,900 from the University of Illinois Foundation that was used to repay the credit line relating to the construction of the Alice Campbell Alumni Center on the Urbana-Champaign campus. These funds were transferred directly from the University of Illinois Foundation to the University of Illinois on behalf of the Alumni Association.
- The Alumni Association contributed \$304,300 in 2007 to the University of Illinois Foundation for the Alice Campbell Alumni Center on the Urbana-Champaign campus and also paid the University of Illinois Foundation \$82,900 for other programs.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2007

- The University of Illinois Foundation reimbursed the Alumni Association \$40,200 for alumni relations events and for recognition of University contributors in its publications in 2007, as well as \$208,500 from Alumni Association funds held by the University of Illinois Foundation.
- The University of Illinois Foundation held a total of \$175,800 of contributions collected on behalf of the Alumni Association as of June 30, 2007. Of these funds \$4,100 are unrestricted and \$171,700 have donor restrictions regarding the use of the funds.
- The Alumni Association distributed \$525,000 to the University from its affinity program guaranteed royalty agreement with Bank of America during 2007.
- The Alumni Association is renting space on the fifth floor of the University of Illinois at Chicago (UIC) Student Center East. The lease term is from March 1, 2006 through June 30, 2015. The lease calls for monthly payments of \$8,900 through June 30, 2010. Beginning July 1, 2010, the lease payments will increase three percent each year. UIC has agreed to make monthly rental payments of \$4,600 as well as any escalation clauses in the lease. In essence, the Alumni Association's rent will be \$51,000 per year or \$4,300 per month. Total rent expense incurred by the Alumni Association during the year ended June 30, 2007 was \$51,000.

NOTE 3 – CASH AND CASH EQUIVALENTS

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.

Cash and Cash Equivalents consist of the following at June 30, 2007:

Petty Cash	\$	300
Cash Deposits		605,100
Money Market Funds		85,800
	\$	<u>691,200</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Alumni Association's deposits may not be returned to it. The Alumni Association has a deposit policy in which collateral security is obtained from any financial institution that balances exceed the \$100,000 federally insured threshold.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2007

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.

	Carrying Amount	Bank Balance
Category 1	\$ 120,500	\$ 120,500
Category 2	504,300	546,700
Category 3	66,100	66,100
	<u>\$ 690,900</u>	<u>\$ 733,300</u>

NOTE 4 - INVESTMENTS

During 2007 the Alumni Association realized net gains of \$505,600 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 2007 was \$2,490,300. The unrealized gain on investments held at year-end was \$1,984,700 at June 30, 2007. The carrying value of the investment portfolio of the Alumni Association at June 30, 2007 is as follows:

	Carrying Amount
Mutual Funds	
Fixed Income	\$ 4,052,400
Equities	12,366,800
Certificates of Deposit	33,000
Real Estate Partnerships	<u>107,800</u>
Total Investments	<u>\$ 16,560,000</u>

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 2007, 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.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2007

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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 worse 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, 2007 the Alumni Association's investments in long-term fixed income investments consisted of mutual funds valued at \$4,052,400 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, 2007 the Alumni Association's deposits not covered by depository insurance were \$546,700 collateralized by federal agency and municipal bonds with a par value of \$3,000,000 and market value of \$3,015,300, pledged by the financial institution.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an agency's investment in a single issuer.

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 generated 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, 2007 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, 2007

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Alumni Association's investment policy provides that funds invested in fixed income securities will have maturities no greater than five years.

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, 2007 the Alumni Association's long-term fixed income investments consisted of mutual funds valued at \$4,052,400 employing a portfolio strategy designed to track the Lehman Brothers Aggregate Bond Index and match the risk and return characteristics. As of June 30, 2007 the duration for these mutual funds was 4.68 years.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

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. The Alumni Association's investment policy provides that 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, 2007 the Alumni Association's investments exposed to foreign currency risk consisted of equity mutual funds with U.S. dollar balances of \$3,662,700. Investments in countries representing more than 5% of the total U.S. dollar balances were as follows: United Kingdom 17.6%, Germany 9.8%, France 8.8%, Netherlands 6.0%, and Korea 5.8%.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2007

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was comprised of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Furniture and fixtures	\$ 102,200	\$ 21,200	\$ -	\$ 123,400
Equipment	93,900	148,000	-	241,900
Leasehold improvements	9,400	-	-	9,400
Buildings	492,200	-	-	492,200
Total Capital Assets	<u>697,700</u>	<u>169,200</u>	<u>-</u>	<u>866,900</u>
Less Accumulated Depreciation:				
Furniture and fixtures	(20,900)	(11,300)	-	(32,200)
Equipment	(3,900)	(39,100)	-	(43,000)
Leasehold Improvements	(600)	(200)	-	(800)
Buildings	(31,600)	(9,800)	-	(41,400)
Total Accumulated Depreciation	<u>(57,000)</u>	<u>(60,400)</u>	<u>-</u>	<u>(117,400)</u>
Net Capital Assets	<u>\$ 640,700</u>	<u>\$ 108,800</u>	<u>\$ -</u>	<u>\$ 749,500</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 \$65,600 at June 30, 2007.

The scheduled commitments presented without discounting and discounted to net present value at June 30, 2007, are as follows:

Fiscal year ending June 30,	Total Receivable	Discounted Receivable	Discounted Receivable, net of allowance
2008	\$ 107,000	\$ 107,000	\$ 90,900
2009	92,600	89,900	71,900
2010	75,800	71,400	53,600
2011	44,100	40,400	28,300
2012	4,500	4,000	2,400
Total Life Memberships Receivable	<u>\$ 324,000</u>	<u>\$ 312,700</u>	<u>\$ 247,100</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2007

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 its endorsement, the Association receives royalties, refunds or commissions, depending on the nature of the affinity partner's business services. 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 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 accessing the website at www.SURS.org, or 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 10.61% 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, 2007, 2006, and 2005, were \$61,100, \$52,400, and \$45,100, respectively, equal to the required contributions for each year.

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. 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.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2007

NOTE 9 – LEASE COMMITMENTS

The Alumni Association has various operating leases expiring in various years through 2015. Future minimum lease payments under these leases are as follows:

2008	\$ 58,000
2009	58,000
2010	58,000
2011	55,100
2012	51,000
2013-2015	<u>153,000</u>
Total	<u>\$ 433,100</u>

Minimum lease payments exclude rentals under renewal options, which, as of June 30, 2007, are not reasonably assured of being exercised.

Total lease expense for the year ended June 30, 2007, was \$58,000.

NOTE 10 – LINE OF CREDIT

The Alumni Association has established a revolving line of credit with the University of Illinois as of June 30, 2004, for up to \$6,133,900, as defined in attachment A of the University of Illinois internal loan agreement with the Alumni Association through December 31, 2009. This line of credit is available to finance 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 determined at the beginning of each year (4.9% at June 30, 2007). A balance of \$3,842,600 of the credit line was outstanding as of June 30, 2007. Interest expense incurred on the credit line was \$216,100 during the year ended June 30, 2007.

The line of credit is scheduled to be repaid as follows:

<u>Year ending June 30,</u>	<u>Payment</u>
2008	\$ 1,212,600
2009	1,325,000
2010	<u>1,305,000</u>
	<u>\$ 3,842,600</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2007

NOTE 11 – ALICE CAMPBELL ALUMNI CENTER

The Alumni Association made a commitment to the construction of the Alice Campbell Alumni Center on the Urbana-Champaign Campus. As of June 30, 2007, the facility was completed and has been occupied since April 2006. The total project cost was \$16.8 million, including \$0.3 million of accrued interest as of June 30, 2007. Donors have made contributions, pledges and bequests to the Foundation for this project in the amount of \$15.9 million as of June 30, 2007. Of these contributions, pledges and bequests, \$9.3 million have been collected and given to the University for construction of the building as of June 30, 2007. An additional \$3.7 million was provided by the Alumni Association from credit card affinity revenues held for construction of the building, and \$3.8 million was provided from borrowing against the line of credit (see note 10) held with the University of Illinois. Any remaining balance will then be 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 held with the University of Illinois. 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, land and a portion of the furnishings belong to the University.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
Combining Statement of Net Assets (Unaudited)
As of June 30, 2007 with Comparative Totals for 2006

	Funds		
	<u>Operating</u>	<u>Advance</u>	<u>Membership</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ (259,100)	\$ 22,100	\$ 30,100
Accounts receivable - University of Illinois	186,000	0	0
Accounts receivable - other	158,800	0	400
Life memberships receivable, net	22,000	0	53,900
Inventories	3,700	0	0
Prepaid expenses	91,500	0	0
Total current assets	<u>202,900</u>	<u>22,100</u>	<u>84,400</u>
Noncurrent Assets			
Investments	0	0	16,521,800
Life memberships receivable, net	37,800	0	92,900
Capital assets, net of depreciation	0	0	0
Total noncurrent assets	<u>37,800</u>	<u>0</u>	<u>16,614,700</u>
 Total assets	 <u>\$ 240,700</u>	 <u>\$ 22,100</u>	 <u>\$ 16,699,100</u>
LIABILITIES			
Current liabilities			
Accounts payable - University of Illinois	\$ 125,300	\$ 0	\$ 0
Accounts payable - others	85,000	0	0
Accrued liabilities	257,500	0	0
Deferred revenues	26,300	0	0
Credit Line - University of Illinois	0	1,212,600	0
Total current liabilities	<u>494,100</u>	<u>1,212,600</u>	<u>0</u>
Noncurrent Liabilities			
Credit Line - University of Illinois	0	2,630,000	0
Deferred revenues	8,600	0	0
Total noncurrent liabilities	<u>8,600</u>	<u>2,630,000</u>	<u>0</u>
 Total liabilities	 <u>502,700</u>	 <u>3,842,600</u>	 <u>0</u>
NET ASSETS			
Invested in capital assets	0	0	0
Unrestricted			
Designated	0	(3,820,500)	16,699,100
Undesignated	(262,000)	0	0
Total net assets	<u>(262,000)</u>	<u>(3,820,500)</u>	<u>16,699,100</u>
 Total liabilities and net assets	 <u>\$ 240,700</u>	 <u>\$ 22,100</u>	 <u>\$ 16,699,100</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

<u>Student</u>	<u>Constituent</u>	<u>Special</u>	<u>Plant</u>	<u>Total 2007</u>	<u>Memo 2006</u>
\$ 3,300	\$ 732,500	\$ 162,300	\$ 0	\$ 691,200	\$ 1,867,300
0	0	0	0	186,000	55,700
5,300	400	0	0	164,900	103,300
0	15,000	0	0	90,900	82,900
0	0	0	0	3,700	3,000
11,100	8,700	0	0	111,300	55,700
<u>19,700</u>	<u>756,600</u>	<u>162,300</u>	<u>0</u>	<u>1,248,000</u>	<u>2,167,900</u>
0	38,200	0	0	16,560,000	14,302,900
0	25,500	0	0	156,200	133,100
0	0	0	749,500	749,500	640,700
0	63,700	0	749,500	17,465,700	15,076,700
<u>19,700</u>	<u>820,300</u>	<u>162,300</u>	<u>749,500</u>	<u>18,713,700</u>	<u>17,244,600</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 125,300	\$ 97,500
0	32,900	0	0	117,900	165,100
5,100	0	0	0	262,600	206,400
14,600	0	0	0	40,900	761,200
0	0	0	0	1,212,600	1,125,200
<u>19,700</u>	<u>32,900</u>	<u>0</u>	<u>0</u>	<u>1,759,300</u>	<u>2,355,400</u>
0	0	0	0	2,630,000	3,986,100
0	0	0	0	8,600	8,600
0	0	0	0	2,638,600	3,994,700
<u>19,700</u>	<u>32,900</u>	<u>0</u>	<u>0</u>	<u>4,397,900</u>	<u>6,350,100</u>
0	0	0	749,500	749,500	640,700
0	0	162,300	0	13,040,900	9,394,200
0	787,400	0	0	525,400	859,600
0	787,400	162,300	749,500	14,315,800	10,894,500
<u>19,700</u>	<u>820,300</u>	<u>162,300</u>	<u>749,500</u>	<u>18,713,700</u>	<u>17,244,600</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

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

Year ended June 30, 2007 with Comparative Totals for 2006

	Funds			
	<u>Operating</u>	<u>Advance</u>	<u>Membership</u>	<u>Student</u>
OPERATING REVENUES				
Membership fees	\$ 703,500	\$ 0	\$ 204,400	\$ 0
University of Illinois support incl. benefits	4,894,700	0	0	10,600
Affinity programs	551,900	2,950,000	0	300
Other revenues	469,600	0	400	67,600
Total operating revenues	<u>6,619,700</u>	<u>2,950,000</u>	<u>204,800</u>	<u>78,500</u>
OPERATING EXPENSES				
Communications	1,212,100	0	0	0
Information services	1,350,600	0	0	0
Membership promotion	670,400	0	0	4,300
Alumni outreach programs	2,591,400	0	0	180,000
General and operating expenses	2,761,300	530,700	0	0
Total operating expenses	<u>8,585,800</u>	<u>530,700</u>	<u>0</u>	<u>184,300</u>
Operating income (expense)	<u>(1,966,100)</u>	<u>2,419,300</u>	<u>204,800</u>	<u>(105,800)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	27,300	14,600	289,800	0
Contributions	0	(684,900)	0	0
Contributions received	0	720,500	0	0
Interest expense	0	(216,100)	0	0
Net increase in fair value of investments	0	0	2,489,000	0
Net nonoperating revenues (expenses)	<u>27,300</u>	<u>(165,900)</u>	<u>2,778,800</u>	<u>0</u>
Transfers - additions (deductions)	<u>1,597,800</u>	<u>(1,000,100)</u>	<u>(677,000)</u>	<u>54,900</u>
Increase (decrease) in net assets	(341,000)	1,253,300	2,306,600	(50,900)
Net assets, beginning of year	<u>79,000</u>	<u>(5,073,800)</u>	<u>14,392,500</u>	<u>50,900</u>
Net assets, end of year	<u>\$ (262,000)</u>	<u>\$ (3,820,500)</u>	<u>\$ 16,699,100</u>	<u>\$ 0</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

<u>Constituent</u>	<u>Special</u>	<u>Plant</u>	<u>Class Secretaries'</u>	<u>Total 2007</u>	<u>Memo 2006</u>
\$ 173,800	\$ 0	\$ 0	\$ 0	\$ 1,081,700	\$ 1,064,100
0	0	0	0	4,905,300	3,942,900
0	0	0	0	3,502,200	3,311,100
228,400	208,500	0	0	974,500	794,600
<u>402,200</u>	<u>208,500</u>	<u>0</u>	<u>0</u>	<u>10,463,700</u>	<u>9,112,700</u>
0	0	0	0	1,212,100	1,110,500
0	0	3,600	0	1,354,200	1,215,700
0	0	0	0	674,700	589,500
329,600	0	0	0	3,101,000	2,842,800
0	0	56,900	0	3,348,900	2,968,500
<u>329,600</u>	<u>0</u>	<u>60,500</u>	<u>0</u>	<u>9,690,900</u>	<u>8,727,000</u>
<u>72,600</u>	<u>208,500</u>	<u>(60,500)</u>	<u>0</u>	<u>772,800</u>	<u>385,700</u>
4,600	0	0	0	336,300	316,700
0	0	0	0	(684,900)	(6,949,600)
0	2,400	0	0	722,900	0
0	0	0	0	(216,100)	(69,500)
1,300	0	0	0	2,490,300	1,141,400
<u>5,900</u>	<u>2,400</u>	<u>0</u>	<u>0</u>	<u>2,648,500</u>	<u>(5,561,000)</u>
<u>(20,800)</u>	<u>(48,600)</u>	<u>169,300</u>	<u>(75,500)</u>	<u>0</u>	<u>0</u>
57,700	162,300	108,800	(75,500)	3,421,300	(5,175,300)
729,700	0	640,700	75,500	10,894,500	16,069,800
<u>\$ 787,400</u>	<u>\$ 162,300</u>	<u>\$ 749,500</u>	<u>\$ 0</u>	<u>\$ 14,315,800</u>	<u>\$ 10,894,500</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
Expenditures by Funding Source (Unaudited)
Year ended June 30, 2007 with Comparative Totals for 2006

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.

	2007			2006		
	Alumni Association	University	Total	Alumni Association	University	Total
Communications	\$ 645,600	\$ 566,500	\$ 1,212,100	\$ 664,900	\$ 445,600	\$ 1,110,500
Information services	406,400	947,800	1,354,200	324,000	891,700	1,215,700
Membership promotion	389,100	285,600	674,700	306,500	283,000	589,500
Alumni outreach programs	1,724,400	1,376,600	3,101,000	1,501,000	1,341,800	2,842,800
General and operating expenses	1,620,100	1,728,800	3,348,900	1,987,700	980,800	2,968,500
Total expenditures	<u>\$ 4,785,600</u>	<u>\$ 4,905,300</u>	<u>\$ 9,690,900</u>	<u>\$ 4,784,100</u>	<u>\$ 3,942,900</u>	<u>\$ 8,727,000</u>

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**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, 2007, and have issued our report thereon dated September 27, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alumni Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alumni Association's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters which we have reported to management of the University of Illinois Alumni Association in a separate letter dated September 27, 2007.

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 Henderson LLP

Peoria, Illinois
September 27, 2007

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UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

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