

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

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006**

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

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006**

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* Issued under separate cover.

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006**

AGENCY OFFICIALS

President	Mr. Loren R. Taylor
Chief Operating Officer	Ms. Karen S. Tow
Chief Financial Officer	Mr. Robert H. Heldman (retired December 31, 2004) Mr. John R. Peirce (started May 2, 2005)
Legal Counsel	Mr. Thomas R. Bearrows
Internal Auditor	University of Illinois

Agency offices are located at:

227 Illini Union
1401 West Green Street
Urbana, Illinois 61801
Moved out April 9, 2006

322 South Green Street, Suite 204
Chicago, Illinois 60607
Moved out February 28, 2006

200 South Wacker Drive
Chicago, Illinois 60606

Spencer House
4900 Shepherd Road
Springfield, Illinois 62703

601 S. Lincoln Avenue
Urbana, Illinois 61801
Moved in April 9, 2006

UIC Student Center East
750 S. Halstead, Suite 520
Chicago, Illinois 60607-7014
Moved in February 28, 2006

July 28, 2006

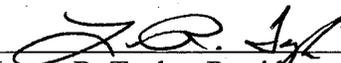
Clifton Gunderson LLP
301 SW Adams St., Suite 900
P.O. Box 1835
Peoria, IL 61656

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the University of Illinois Alumni Association (Association). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Association's compliance with the following assertions during the two-year period ended June 30, 2006. Based on this evaluation, we assert that during the years ended June 30, 2006 and June 30, 2005, the Association has materially complied with the assertions below.

- A. The Association has obligated, expended, received and used its funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Association has obligated, expended, received and used its funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Association has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. The revenues and receipts collected by the Association are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Association or held in trust by the Association have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

University of Illinois Alumni Association


Loren R. Taylor, President and CEO


John R. Peirce, Chief Financial Officer

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
COMPLIANCE REPORT SUMMARY
For the Two Years Ended June 30, 2006**

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Auditors' Reports

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant nonstandard language.

Summary of Audit Findings

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	2	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

<u>Item No.</u>	<u>Page</u>	<u>Current Findings - State</u>
06-1	9	Time Sheets Not Required
06-2	10	Occupying Office Space Without a Written Lease in Place

Exit Conference

The findings and recommendations appearing in this report were discussed with Alumni Association personnel at an exit conference on November 9, 2006. Attending were Mr. John Peirce, Mr. Craig Kiddoo, Mr. Thomas Kizziah, Mr. Michael Hillary, and Mr. Russell Courter. The responses to the recommendations were provided by Mr. John Peirce in a letter dated November 16, 2006.

**Independent Accountant's Report on State Compliance, on
Internal Control Over Compliance, and on Supplementary
Information for State Compliance Purposes**

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

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the University of Illinois Alumni Association's (Association) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the years ended June 30, 2006 and 2005. The management of the Association is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Association's compliance based on our examination.

- A. The Association has obligated, expended, received, and used its funds, in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Association has obligated, expended, received, and used its funds, in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Association has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. The revenues and receipts collected by the Association are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Association or held in trust by the Association have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Association's compliance with specified requirements.

In our opinion, the Association complied, in all material respects, with the aforementioned requirements during the years ended June 30, 2006 and 2005. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General, and which are described in the accompanying Schedule of State Findings (as findings 06-1 and 06-2). As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Association's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined 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 internal control over compliance that we consider to be material weaknesses. There were no immaterial findings relating to internal control deficiencies that have been excluded from this report.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the Association as of and for the years ended June 30, 2006 and 2005, and have issued our reports thereon dated July 28, 2006 and July 29, 2005, respectively. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Association. Such information for the years ended June 30, 2006 and 2005, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Association's basic financial statements for the year ended June 30, 2004. In our report dated August 11, 2004, we expressed an unqualified opinion on the basic financial statements. In our opinion, the 2004 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited," is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004 taken as a whole.

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
July 28, 2006

**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 years ended June 30, 2006 and 2005, and have issued our reports thereon dated July 28, 2006 and July 29, 2005, respectively. We conducted our audits 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*. However, we noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain other matters which we have reported to management of the Alumni Association in a separate letter dated July 28, 2006.

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
July 28, 2006

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
CURRENT FINDINGS - STATE
For the Two Years Ended June 30, 2006**

06-1 Finding: Time Sheets Not Required

The University of Illinois Alumni Association (Association) did not require all employees to submit time sheets as required by the State Officials and Employees Ethics Act (Act).

The Act required the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour; contractual State employees may satisfy the time sheets requirement by complying with the terms of their contract, which shall provide for a means of compliance with this requirement." The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act. The Association has not incorporated these policies into the Association's policies.

We noted the Association's employees did not submit time sheets in compliance with the Act. Employees generally track their time using a "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise. No time sheets documenting the time spent each day on official State business to the nearest quarter hour are maintained.

Association management stated they did not submit time sheets as this is not required by Association policy or University of Illinois policy.

By not requiring appropriate time sheets from its employees, the Association is not in compliance with the Act. (Finding Code No. 06-1)

Recommendation:

We recommend the Association amend its policies to require all employees to submit time sheets in compliance with the Act.

Association Response:

The University of Illinois Alumni Association ("Association") is aware that the University of Illinois ("University") acknowledges the requirements of the State Officials and Employees Ethics Act ("Act") for employees to periodically report time spent each day on official State business to the nearest quarter hour. The University is currently reviewing University wide personnel policies and department, college, and campus procedures to determine what changes and additions would be required to be in compliance with the Act. A preliminary review by the University shows the need to further document policies and work time requirements for categories of positions, explore various electronic solutions, and involve a broad range of University constituencies in a proposed solution.

The Association will monitor the University's progress, coordinate with the University on any proposed solution(s), and determine what additional actions the Association may be required to take to comply with the Act.

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
CURRENT FINDINGS - STATE
For the Two Years Ended June 30, 2006**

06-2 Finding: Occupying Office Space Without a Written Lease in Place

The University of Illinois Alumni Association (Association) did not have a written lease in place when it moved into its new office location on the University of Illinois at Chicago campus.

The Association moved into its new office location on March 1, 2006. The effective date of the lease was July 20, 2006; however, the lease was not signed by both parties until July 31, 2006. The Association occupied its new office location for five months before a written lease was signed by both parties. The lease is with the University of Illinois at Chicago (UIC). 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 Association's rent will be \$51,600 per year or \$4,300 per month.

Good business practice dictates that a written, executed lease be in place in order to protect the Association from any misunderstandings or discrepancies with the lessor.

Association management stated they had agreed in principle with the lessor to the lease terms and agreed on the move-in date. However, the lessor did not provide a written lease until a later date.

Potential legal issues could arise when occupying space without a written, executed lease in place. (Finding Code No. 06-2)

Recommendation:

We recommend that the Association obtain a written, executed lease prior to occupying any office space whether with a related party or an unrelated party.

Association Response:

The University of Illinois Alumni Association ("Association") acknowledges that no written lease was in place prior to moving into office space on the University of Illinois at Chicago ("UIC") campus during fiscal year 2006. The Association notes that it did possess a written, signed letter from the appropriate UIC campus representative specifically outlining the lease terms prior to occupancy.

The Association intends to maintain executed leases prior to, and during the term of, occupancy with respect to all office locations.

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
FINANCIAL STATEMENT REPORT SUMMARY
For the Two Years Ended June 30, 2006**

The audit of the 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.

The financial statements are issued under separate cover, in a report titled "University of Illinois Alumni Association Financial Statements, for the Year Ended June 30, 2006."

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
SUPPLEMENTARY INFORMATION FOR STATE
COMPLIANCE PURPOSES SUMMARY
For the Two Years Ended June 30, 2006**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Changes in Property and Equipment
 - Comparative Schedule of Cash Receipts
 - Comparative Schedule of Cash and Cash Equivalents
 - Comparative Schedule of Investments
 - Comparative Schedule of Accounts Receivable
 - Explanation of Significant Variances in Revenues and Expenses

- Analysis of Operations:
 - Agency Functions and Planning Program
 - Average Number of Employees (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "Unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT
For the Two Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
BALANCE, BEGINNING OF YEAR, NET OF ACCUMULATED DEPRECIATION	\$ 526,800	\$ 543,200
ADDITIONS		
Furniture and fixtures	40,900	-
Data processing equipment	93,800	-
DELETIONS		
Depreciation	<u>(20,800)</u>	<u>(16,400)</u>
BALANCE, END OF YEAR, NET OF ACCUMULATED DEPRECIATION	<u>\$ 640,700</u>	<u>\$ 526,800</u>

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Years Ended June 30, 2006, 2005, and 2004**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Membership fees and contributions	\$ 1,073,200	\$ 971,800	\$ 891,900
University of Illinois support	252,500	62,800	215,800
Investment income	316,700	279,700	263,400
Affinity programs	3,336,100	3,782,900	1,626,000
Other revenues	802,000	599,500	526,900
Proceeds from sale of investments and distributions	1,526,800	3,618,200	88,400
Proceeds from disposals of capital assets	<u>-</u>	<u>-</u>	<u>200</u>
TOTAL	<u>\$ 7,307,300</u>	<u>\$ 9,314,900</u>	<u>\$ 3,612,600</u>

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
COMPARATIVE SCHEDULE OF CASH
AND CASH EQUIVALENTS
As of June 30, 2006 and 2005**

CASH AND CASH EQUIVALENTS	<u>Interest Rate</u>	<u>2006</u>	<u>2005</u>
JP Morgan Chase Bank - money market accounts	.90 - 1.39%	\$ 19,400	\$ 19,200
Busey Bank:			
General checking account	2.60 - 4.34%	1,776,600	1,507,100
Payroll account	.22 - .36%	7,200	3,500
Central Illinois Bank - certificate of deposit	3.54%	-	12,500
Central Illinois Bank - certificate of deposit	1.99 - 5.15%	-	33,000
Credit Union One - savings account	.70 - .75%	100	100
FSC Security - money market accounts	Varies	63,000	19,600
Petty cash	None	400	400
Prairie State Bank - checking account	None	500	600
Northern Trust - investment accounts	Varies	-	900
Smith Barney - money market account	Varies	<u>100</u>	<u>100</u>
 TOTAL		 <u>\$ 1,867,300</u>	 <u>\$ 1,597,000</u>

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
COMPARATIVE SCHEDULE OF INVESTMENTS
As of June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
INVESTMENTS		
Corporate bonds and notes	\$ 3,585,700	\$ 3,614,800
Common stock	10,581,800	10,666,200
Real estate partnerships	102,400	123,300
Certificates of deposit	<u>33,000</u>	<u>-</u>
 TOTAL	 <u>\$ 14,302,900</u>	 <u>\$ 14,404,300</u>

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
COMPARATIVE SCHEDULE OF ACCOUNTS RECEIVABLE
As of June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Accounts receivable - University of Illinois	\$ 55,700	\$ 203,200
Accounts receivable - other	<u>103,300</u>	<u>120,300</u>
TOTAL	<u>\$ 159,000</u>	<u>\$ 323,500</u>

All accounts receivable are deemed collectible; therefore, no allowance is necessary.

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
EXPLANATION OF SIGNIFICANT VARIANCES
IN REVENUES AND EXPENSES
For the Years Ended June 30, 2006 and 2005**

Scope: Changes greater than \$31,300 and 20%

	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2005</u>	<u>Dollar Change</u>	<u>Percent of Change</u>	<u>See Notes Below</u>
OPERATING REVENUES					
Membership fees	\$ 1,064,100	\$ 900,000	\$ 164,100	18%	
University of Illinois support	3,942,900	3,515,100	427,800	12	
Affinity program	3,311,100	3,082,900	228,200	7	
Other revenues	<u>794,600</u>	<u>623,700</u>	<u>170,900</u>	27	1
Total operating revenues	<u>9,112,700</u>	<u>8,121,700</u>	<u>991,000</u>		
OPERATING EXPENSES					
Communications	1,110,500	1,102,700	7,800	1	
Information services	1,215,700	957,300	258,400	27	2
Membership promotion	589,500	577,500	12,000	2	
Alumni outreach programs	2,842,800	2,599,700	243,100	9	
General and operating	<u>2,968,500</u>	<u>1,998,200</u>	<u>970,300</u>	49	3
Total operating expenses	<u>8,727,000</u>	<u>7,235,400</u>	<u>1,491,600</u>		
NONOPERATING REVENUES (EXPENSES)					
Investment income	316,700	279,700	37,000	13	
Contributions	(6,949,600)	(1,362,600)	(5,587,000)	410	4
Interest expense	(69,500)	-	(69,500)	100	5
Net increase in fair value of investments	<u>1,141,400</u>	<u>1,024,200</u>	<u>117,200</u>	11	
Net nonoperating revenues (expenses)	<u>(5,561,000)</u>	<u>(58,700)</u>	<u>(5,502,300)</u>		
CHANGE IN NET ASSETS	(5,175,300)	827,600	(6,002,900)		
NET ASSETS, BEGINNING OF YEAR	<u>16,069,800</u>	<u>15,242,200</u>	<u>827,600</u>		
NET ASSETS, END OF YEAR	<u>\$ 10,894,500</u>	<u>\$ 16,069,800</u>	<u>\$ (5,175,300)</u>		

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
EXPLANATION OF SIGNIFICANT VARIANCES
IN REVENUES AND EXPENSES
For the Years Ended June 30, 2006 and 2005**

(Continued)

- (1) The increase in other revenues was mainly due to a \$100,000 contribution received from University of Illinois Foundation, Alumni Association Unrestricted Fund for payment of expenses realized during the Chicago office relocation. The balance was a combination of increased advertising revenues for the Illinois Alumni Magazine, and increases in sponsorships for various events.
- (2) The increase in information services expenses is due to the start of several new projects during fiscal year 2006. These projects were in addition to the projects that carried over from fiscal year 2005.
- (3) The increase in general and operating expenses was due to increased in-kind rent for occupation of the new Alice Campbell Alumni Center, technology equipment purchases for the new Alice Campbell Alumni Center, and expenses relating to the relocation of the Chicago office.
- (4) The increase in contributions relates to the construction of the Alice Campbell Alumni Center. The Alumni Association agreed to fund the construction of the new building. A line of credit with the University was established to cover construction funding needs in excess of cash contributions received from donors. The line of credit will be repaid by pledges and bequests as received, and by a portion of affinity program revenues.
- (5) The increase in interest expense relates to the line of credit with the University for the construction of the Alice Campbell Alumni Center. This is a new expense item for fiscal year 2006 as no funds were borrowed from this line of credit in fiscal year 2005.

Responses were provided by Alumni Association personnel.

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
EXPLANATION OF SIGNIFICANT VARIANCES
IN REVENUES AND EXPENSES
For the Years Ended June 30, 2005 and 2004**

Scope: Changes greater than \$28,000 and 20%

	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>	<u>Dollar Change</u>	<u>Percent of Change</u>	<u>See Notes Below</u>
OPERATING REVENUES					
Membership fees	\$ 900,000	\$ 793,700	\$ 106,300	13%	
University of Illinois support	3,515,100	3,360,600	154,500	5	
Affinity program	3,082,900	2,801,000	281,900	10	
Other revenues	<u>623,700</u>	<u>552,400</u>	<u>71,300</u>	13	
Total operating revenues	<u>8,121,700</u>	<u>7,507,700</u>	<u>614,000</u>		
OPERATING EXPENSES					
Communications	1,102,700	1,137,300	(34,600)	(3)	
Information services	957,300	872,200	85,100	10	
Membership promotion	577,500	500,900	76,600	15	
Alumni outreach programs	2,599,700	2,413,900	185,800	8	
General and operating	<u>1,998,200</u>	<u>2,220,200</u>	<u>(222,000)</u>	(10)	
Total operating expenses	<u>7,235,400</u>	<u>7,144,500</u>	<u>90,900</u>		
NONOPERATING REVENUES (EXPENSES)					
Investment income	279,700	284,000	(4,300)	(2)	
Contributions	(1,362,600)	(145,300)	(1,217,300)	(838)	1
Net increase in fair value of investments	<u>1,024,200</u>	<u>1,806,800</u>	<u>(782,600)</u>	(43)	2
Net nonoperating revenues (expenses)	<u>(58,700)</u>	<u>1,945,500</u>	<u>(2,004,200)</u>		
CHANGE IN NET ASSETS	827,600	2,308,700	(1,481,100)		
NET ASSETS, BEGINNING OF YEAR	<u>15,242,200</u>	<u>12,933,500</u>	<u>2,308,700</u>		
NET ASSETS, END OF YEAR	<u>\$ 16,069,800</u>	<u>\$ 15,242,200</u>	<u>\$ 827,600</u>		

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
EXPLANATION OF SIGNIFICANT VARIANCES
IN REVENUES AND EXPENSES
For the Years Ended June 30, 2005 and 2004**

(Continued)

- (1) The increase in contributions relates to the construction of the Alice Campbell Alumni Center. The Alumni Association agreed to fund the construction of the new building. A line of credit with the University was established to cover construction funding needs in excess of cash contributions received from donors. The line of credit will be repaid by pledges and bequests as received, and by a portion of affinity program revenues.
- (2) The decline in the net increase in fair market value of investments is due mainly to lower market returns during fiscal year 2005 as compared with fiscal year 2004.

Responses were provided by Alumni Association personnel.

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2006**

The mission of the Alumni Association is to enhance the relationship between the University of Illinois and all of its alumni. The Association inspires lifelong loyalty and pride among its alumni and friends by strengthening their continued relationship with the University in every way.

The Association is the official link between the University and its alumni. The Association functions as the advocate of the alumni in expressing their opinions and preferences to the University. The Association also acts as an advocate for the University in keeping alumni and other interested parties abreast of current issues, events, and accomplishments at the University. This commitment to the alumni and University is expressed and accomplished in a high-quality, cost-effective and efficient manner. Major functions include maintenance of alumni records, publication of alumni magazines, sponsorship and coordination of field and educational activities, support of campus constituent group and alumni club activities, participation in club scholarship programs, and promotion of Association membership.

The Alumni Association is composed of alumni and governed by alumni. The corporate powers, business, and property of the Association are controlled by the Association Board of Directors, members of which are determined by the by-laws of the Association. An Executive Committee meets as needed to transact business in the intervals between meetings. Mr. Edward L. McMillan is Chair of the Board of Directors. Mr. Loren R. Taylor is President and Chief Executive Officer.

Annual budgets are prepared by the Association and approved by the Board of Directors. The budget is used as one of the criteria for measuring the Association's achievement of planned goals. Both the establishment and monitoring of goals and activities appear to be adequate.

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
AVERAGE NUMBER OF EMPLOYEES
For the Years Ended June 30, 2006, 2005, and 2004**

(Unaudited)

The Alumni Association had an average of five full-time employees in 2006, five full-time employees in 2005, and five full-time employees in 2004.

	Fiscal Year		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Urbana office	3	3	3
Chicago office	1	1	1
Springfield office	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
SERVICE EFFORTS AND ACCOMPLISHMENTS**

(Unaudited)

The mission of the University of Illinois Alumni Association is to advance the general welfare of the University of Illinois. The Association works to inspire lifelong loyalty and pride among alumni and friends by developing and enhancing their continued relationship with the University.

Staffed by professionals who work on behalf of alumni and friends of the University of Illinois, the Association takes pride in the high level of service provided through a multitude of roles.

As the official keeper of alumni records for the University of Illinois, the Association works to achieve the utmost accuracy of the information while assuring appropriate security and confidentiality.

The Association is the official reconnecting or connecting point for alumni and friends through membership in the organization - the most basic personal demonstration of loyalty by an alumnus to the University of Illinois and the foundation upon which all University advancement efforts are built.

The Association extends membership opportunity to all degree holders, former students, administrators, faculty, staff, currently enrolled students, parents of currently enrolled and former students, and friends of the University of Illinois. In accomplishing this goal, the Alumni Association promotes maximum inclusivity with zero tolerance for discrimination based upon race, creed, color, gender, or economic, political, or sexual orientation.

The Association is the official keeper of the traditions of the University of Illinois and works to pass them down to succeeding generations of students and alumni.

In University affairs, the Association functions as the official voice of alumni and works to accurately represent alumni opinions without regard to biases.

The Association consistently provides quality and relevant programs, services, and benefits for alumni and friends of the University of Illinois and services the University by identifying alumni volunteers.

The Association is the official communicator to alumni on the life, work, and achievements of the University of Illinois and its units, as well as the achievements of its alumni and friends, through awards programs and annual schedules of alumni publications.

Through the Alumni Career Center, the Association provides lifelong career services to members.

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
SERVICE EFFORTS AND ACCOMPLISHMENTS**

(Unaudited)

The following statistics for fiscal year 2006 are representative of the service efforts and accomplishments:

Total paid membership count	101,280
Expenditures per paid member	\$ 86.17
Illinois Alumni Magazines published	6
UIC Alumni Magazines published	6
UIS Horizons Magazines published	4
Alumni assisted by the Career Center	17,340
Alumni, students, and faculty honored	400
Alumni record updates	855,000
UIAA online directory visitors	49,577
Number of visitors to the UIAA website	2,201,271
Average visit length	13 minutes, 10 seconds