



UNIVERSITY OF ILLINOIS
ALUMNI ASSOCIATION

Building Relationships for Life

Financial Statements

Year Ended June 30, 2006

with

Reports of Independent Public Accountants

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

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Independent Auditor's Report

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the University of Illinois Alumni Association (Alumni Association), a component unit of the University of Illinois, and a component unit of the State of Illinois, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the 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 2005 financial statements, and in our report dated July 29, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2006, 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*, a report 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 will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, upon issuance, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clifton Gunderson LLP

Peoria, Illinois
July 28, 2006

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2006, with Comparative Totals for 2005

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, 2006, with selected comparative information for the year ended June 30, 2005. This Management's Discussion and Analysis is designed to assist in understanding the Alumni Association's current financial activities, major trends, and future outlook in conjunction with the Alumni Association's financial statements and the footnotes.

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

The Alumni Association provides support services to assist the Chicago, Springfield and Urbana-Champaign campus alumni relations efforts. These professional services include event planning; organizing and assisting alumni clubs, chapters and special interest groups; communications; information processing; maintaining alumni records, and counsel on alumni relations. The Alumni Association provides these services through its campus offices in Chicago, Springfield, Urbana and the Alumni Career Center at the Illini Center in downtown Chicago. The Alumni Association also manages the Alice Campbell Alumni Center in Urbana with a variety of spaces available for rent for many types of 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, 2006 and 2005 is as follows:

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2006, with Comparative Totals for 2005

	<u>2006</u>	<u>2005</u>
Assets		
Current assets	\$ 2,167,900	\$ 2,121,600
Noncurrent assets	14,436,000	14,504,400
Capital assets, net of depreciation	640,700	526,800
Total assets	<u>\$ 17,244,600</u>	<u>\$ 17,152,800</u>
Liabilities		
Current liabilities	2,355,400	1,074,400
Noncurrent liabilities	3,994,700	8,600
Total liabilities	<u>6,350,100</u>	<u>1,083,000</u>
Net assets	<u>10,894,500</u>	<u>16,069,800</u>
Total liabilities and net assets	<u>\$ 17,244,600</u>	<u>\$ 17,152,800</u>

Total assets increased \$0.1 million to \$17.2 million during fiscal year 2006. This modest increase is due primarily to a net increase in cash and capital assets of \$0.4 million partially offset by a decline of \$0.3 million in accounts receivable and investments. Total liabilities increased \$5.3 million during fiscal year 2006 due primarily to a \$5.1 million increase in the U of I credit line utilized to finance a portion of the construction of the Alice Campbell Alumni Center.

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>2006</u>	<u>2005</u>
Net assets		
Invested in capital assets	\$ 640,700	\$ 526,800
Unrestricted		
Designated	9,394,200	14,249,700
Undesignated	859,600	1,293,300
Total net assets	<u>\$ 10,894,500</u>	<u>\$ 16,069,800</u>

The Alumni Association's total net assets declined by \$5.2 million during fiscal year 2006 due to a \$6.9 million contribution to fund construction of the Alice Campbell Alumni Center partially offset by \$1.5 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, 2006, with Comparative Totals for 2005

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, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Operating revenues		
Membership fees	\$ 1,064,100	\$ 900,000
University of Illinois	3,942,900	3,515,100
Affinity programs	3,311,100	3,082,900
Other revenues	794,600	623,700
Total operating revenues	<u>9,112,700</u>	<u>8,121,700</u>
Total operating expenses	<u>8,727,000</u>	<u>7,235,400</u>
Operating income	<u>385,700</u>	<u>886,300</u>
Nonoperating revenues (expenses)		
Investment income	316,700	279,700
Contributions	(6,949,600)	(1,362,600)
Interest expense	(69,500)	0
Net increase in fair value of investments	1,141,400	1,024,200
Net nonoperating revenues (expenses)	<u>(5,561,000)</u>	<u>(58,700)</u>
Increase (decrease) in net assets	(5,175,300)	827,600
Net assets, beginning of the year	<u>16,069,800</u>	<u>15,242,200</u>
Net assets, end of the year	<u>\$ 10,894,500</u>	<u>\$ 16,069,800</u>

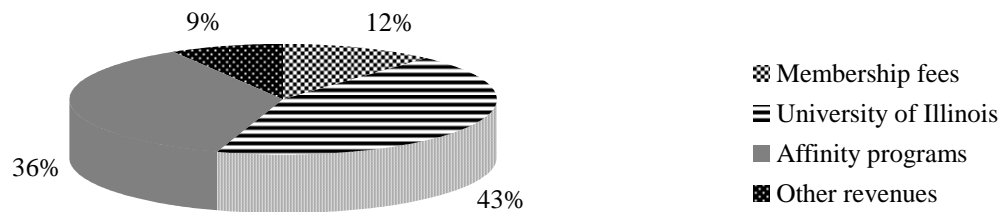
Fiscal year 2006 activities resulted in a \$5.2 million decline in net assets. This decline results from \$5.6 million in net nonoperating expenses partially offset by operating income of \$0.4 million. Operating revenues are generated through four primary sources: membership fees, the University of Illinois, affinity programs, and other revenues. Operating revenues grew \$1.0 million in fiscal year 2006 compared to fiscal year 2005. All four primary sources of revenue contributed to this growth. Membership revenues grew due to higher response rates to solicitation programs and targeted marketing campaigns. The University of Illinois revenues grew due to a contractual increase and rising benefit costs. Affinity programs grew due to a contractual increase in the credit card program royalties and an increase in other financial services royalties and commissions. Total operating expenses were \$1.5 million higher during fiscal year 2006 compared to fiscal year 2005. Growth in these expenses was due to \$1.1 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 expenses were \$5.6 million during fiscal year 2006 due to \$6.9 million of contributions primarily used to fund construction of the Alice Campbell Alumni Center. These expenses were partially offset by a net increase in the fair value of investments of \$1.1 million during fiscal year 2006.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Management's Discussion and Analysis

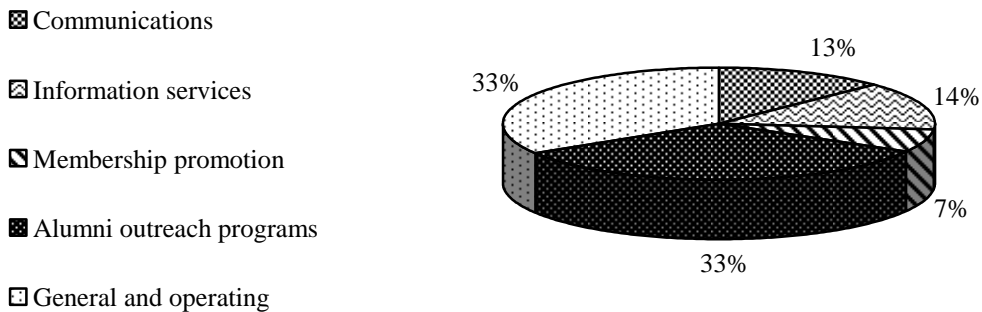
Fiscal Year Ending June 30, 2006, with Comparative Totals for 2005

The following graphically illustrates the operating revenues that were used to fund the Alumni Association's operating activities for the year ended June 30, 2006.

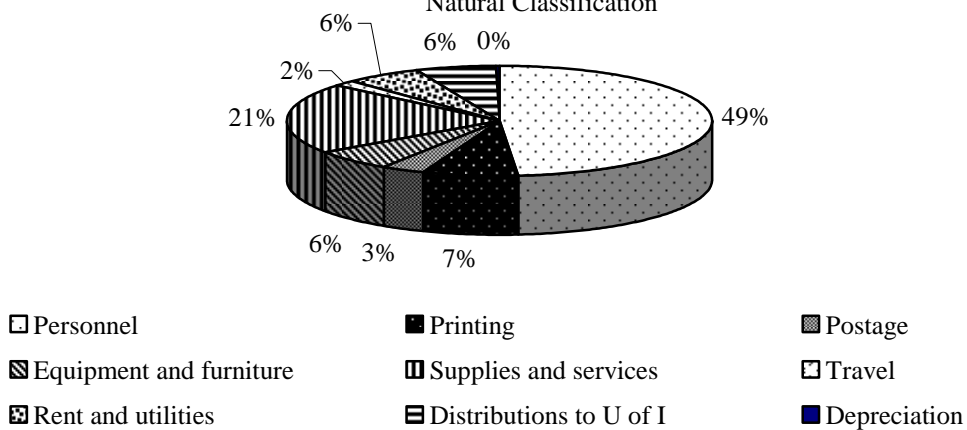


The Alumni Association chooses to report its expenses by functional classifications, rather than natural classifications, in the Statement of Revenues, Expenses and Changes in Net Assets. The following graphics illustrate the expenses for each method of classification.

Functional Classification



Natural Classification



UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2006, with Comparative Totals for 2005

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, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Total sources	\$ 5,463,800	5,417,000
Total uses	(4,710,500)	(3,839,800)
Net cash provided by operating activities	<u>753,300</u>	<u>1,577,200</u>
Cash flows from non-capital activities		
Net cash (used) by non-capital activities	<u>0</u>	<u>(65,000)</u>
Cash flows from investing activities		
Net cash provided (used) by investing activities	<u>1,559,500</u>	<u>(167,000)</u>
Cash flows from capital and related financing activities		
Contribution to Alice Campbell Alumni Center	(322,800)	(1,297,600)
Credit line repayments	(1,585,000)	0
Payments for purchase of capital assets	(134,700)	0
Net cash (used) by capital and related financing activities	<u>(2,042,500)</u>	<u>(1,297,600)</u>
Net increase in cash and cash equivalents	270,300	47,600
Cash and cash equivalents - beginning of the year	<u>1,597,000</u>	<u>1,549,400</u>
Cash and cash equivalents - end of the year	<u>\$ 1,867,300</u>	<u>\$ 1,597,000</u>

Cash flows from all sources increased \$0.3 million during fiscal year 2006. Cash flows generated from operating and investing activities were \$2.3 million during fiscal year 2006 offset by \$2.0 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, 2006, with Comparative Totals for 2005

Economic Factors that Will Affect the Future

Board members and senior members of management recently completed a 10-year strategic plan in coordination with the University of Illinois' ongoing strategic planning process. 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 substantially completed during the 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 12). In addition, our University of Illinois at Chicago staff completed a move from leased facilities off-campus to the Student Center East building increasing our visibility with students and alumni on campus.

A crucial element to the Alumni Association's future will continue to be its relationship with the University of Illinois. Generally, there is a direct relationship between the state funds allocated to the University and the Alumni Association's ability to predict University support. With the University undertaking a comprehensive strategic planning process, 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, 2006 with Comparative Totals for 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,867,300	\$ 1,597,000
Accounts receivable - University of Illinois	55,700	203,200
Accounts receivable - other	103,300	120,300
Life memberships receivable, net	82,900	125,000
Inventories	3,000	4,700
Prepaid expenses	55,700	71,400
Total current assets	<u>2,167,900</u>	<u>2,121,600</u>
Noncurrent Assets		
Investments	14,302,900	14,404,300
Life memberships receivable, net	133,100	100,100
Capital assets, net of accumulated depreciation	640,700	526,800
Total noncurrent assets	<u>15,076,700</u>	<u>15,031,200</u>
Total assets	<u>\$ 17,244,600</u>	<u>\$ 17,152,800</u>
LIABILITIES		
Current liabilities		
Accounts payable - University of Illinois	97,500	70,500
Accounts payable - others	165,100	56,100
Accrued liabilities	206,400	202,000
Deferred revenues	761,200	745,800
Credit Line - University of Illinois	1,125,200	0
Total current liabilities	<u>2,355,400</u>	<u>1,074,400</u>
Noncurrent Liabilities		
Credit Line - University of Illinois	3,986,100	0
Deferred revenues	8,600	8,600
Total noncurrent liabilities	<u>3,994,700</u>	<u>8,600</u>
Total liabilities	<u>6,350,100</u>	<u>1,083,000</u>
NET ASSETS		
Invested in capital assets	640,700	526,800
Unrestricted		
Designated	9,394,200	14,249,700
Undesignated	859,600	1,293,300
Total net assets	<u>10,894,500</u>	<u>16,069,800</u>
Total liabilities and net assets	<u>\$ 17,244,600</u>	<u>\$ 17,152,800</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, 2006 with Comparative Totals for 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Membership fees	\$ 1,064,100	\$ 900,000
University of Illinois support incl. benefits	3,942,900	3,515,100
Affinity programs	3,311,100	3,082,900
Other revenues	794,600	623,700
Total operating revenues	<u>9,112,700</u>	<u>8,121,700</u>
OPERATING EXPENSES		
Communications	1,110,500	1,102,700
Information services	1,215,700	957,300
Membership promotion	589,500	577,500
Alumni outreach programs	2,842,800	2,599,700
General and operating expenses	2,968,500	1,998,200
Total operating expenses	<u>8,727,000</u>	<u>7,235,400</u>
Operating income	<u>385,700</u>	<u>886,300</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	316,700	279,700
Contributions	(6,949,600)	(1,362,600)
Interest expense	(69,500)	0
Net increase in fair value of investments	1,141,400	1,024,200
Net nonoperating (expenses)	<u>(5,561,000)</u>	<u>(58,700)</u>
Increase (decrease) in net assets	(5,175,300)	827,600
Net assets, beginning of year	<u>16,069,800</u>	<u>15,242,200</u>
Net assets, end of year	<u>\$ 10,894,500</u>	<u>\$ 16,069,800</u>

See notes to financial statements.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Statement of Cash Flows

For the year ended June 30, 2006 with Comparative Totals for 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Membership fees	\$ 1,073,200	\$ 971,800
University of Illinois support	252,500	62,800
Affinity programs	3,336,100	3,782,900
Other revenues	802,000	599,500
Payments to vendors	(2,097,700)	(1,816,900)
Payments for salaries	(742,100)	(653,900)
Payments to University of Illinois	(1,870,700)	(1,369,000)
Net cash provided by operating activities	<u>753,300</u>	<u>1,577,200</u>
CASH FLOWS FROM NON-CAPITAL ACTIVITIES		
Contribution to Joan and James Stukel Scholarship Fund	<u>0</u>	<u>(65,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends from investments	316,700	279,700
Dividends reinvested	(251,000)	(225,000)
Investments purchased	(33,000)	(3,839,900)
Proceeds from sale of investments and distributions	1,526,800	3,618,200
Net cash provided (used) by investing activities	<u>1,559,500</u>	<u>(167,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contribution to Alice Campbell Alumni Center	(322,800)	(1,297,600)
Credit line repayments	(1,585,000)	0
Payments for purchase of capital assets	(134,700)	0
Net cash (used) by capital and related financing activities	<u>(2,042,500)</u>	<u>(1,297,600)</u>
Net increase in cash and cash equivalents	270,300	47,600
Cash and cash equivalents - beginning of year	1,597,000	1,549,400
Cash and cash equivalents - end of year	<u>\$ 1,867,300</u>	<u>\$ 1,597,000</u>
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 385,700	\$ 886,300
Depreciation	20,800	16,400
Effects of changes in assets and liabilities		
Membership receivables, net	9,100	71,800
Other receivable, net	17,000	(30,900)
Accounts Receivable - University of Illinois, net	147,500	(126,300)
Inventories	1,700	(900)
Prepaid expenses and other assets	15,700	(1,300)
Accounts payable	136,000	24,900
Accrued liabilities	4,400	30,500
Deferred revenues	15,400	706,700
Net cash provided by operating activities	<u>\$ 753,300</u>	<u>\$ 1,577,200</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
On-behalf payment of fringe benefits	\$ 893,000	\$ 747,100
University paid salaries	\$ 2,408,500	\$ 2,364,100
University payments for Alice Campbell Alumni Center construction	\$ 6,626,800	\$ 0
University paid operating expenses	\$ 536,400	\$ 214,800

See notes to financial statements.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2006

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 2005 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, 2005.

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, 2006

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, 2006

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 \$893,000 at June 30, 2006) are included in the amounts shown as University of Illinois Support (revenue) and are distributed to the appropriate expenses on the Statement of Revenues, Expenses and Changes in Net Assets.

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

- The Alumni Association managed and supervised University employees engaged in the maintenance of University alumni records, support of alumni-relations activities, and preparation of alumni periodicals that are published by the Alumni Association. The salaries for these University employees of \$2,408,500 for 2006 are reflected in the Statement of Revenues, Expenses and Changes in Net Assets. The Alumni Association received \$146,500 in 2006 as partial reimbursement from the University for these management and supervisory services.
- The Alumni Association received certain equipment, materials/supplies, services, telecommunications and transportation from the University which were used for field activities and non-recurring operating expenses. These items are reflected in the Statement of Revenues, Expenses and Changes in Net Assets.
- The University provided office space to the Alumni Association at an annual rental of \$389,900 in 2006.
- 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 2006.
- The Alumni Association contributed \$6,626,800 in 2006 to the University of Illinois for construction of the Alice Campbell Alumni Center on the Urbana-Champaign campus.
- The Alumni Association contributed \$322,800 in 2006 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 \$19,900 for other programs.
- The University of Illinois Foundation reimbursed the Alumni Association \$51,900 for alumni relations events and for recognition of University contributors in its publications in 2006, as well as \$100,100 from Alumni Association funds held by the University of Illinois Foundation.
- The Alumni Association distributed \$525,000 to the University from its affinity program guaranteed royalty agreement with MBNA America during 2006.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2006

- 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, 2006 was \$17,000.

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, 2006:

Petty Cash	\$	300
Cash Deposits		1,784,400
Money Market Funds		82,600
	\$	<u>1,867,300</u>

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1	\$ 120,000	\$ 120,000
Category 2	1,683,800	1,748,200
Category 3	63,500	63,500
	<u>\$ 1,867,300</u>	<u>\$ 1,931,700</u>

NOTE 4 – INVESTMENTS

During 2006 the Alumni Association realized net gains of \$316,700 from the sale of investments. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net change in the fair value of investments during 2006 was \$1,141,400. The unrealized gain on investments held at year-end was \$824,700 at June 30, 2006. The carrying value of the investment portfolio of the Alumni Association at June 30, 2006 is as follows:

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2006

	<u>Carrying Amount</u>
Mutual Funds	
Fixed Income	\$ 3,585,700
Equities	10,581,800
Certificates of Deposit	33,000
Real Estate Partnerships	<u>102,400</u>
 Total Investments	 <u>\$ 14,302,900</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 2006, the target spending rate of 6% of the five-year moving average of the market value of the Membership Fund was used to fund operations. Actual spending rates in future years may be greater or less than the target spending rate.

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

Credit Risk

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, 2006 the Alumni Association's investments in long-term fixed income investments consisted of mutual funds valued at \$3,585,700 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, 2006 the Alumni Association's deposits not covered by depository insurance were \$1,748,200 collateralized by federal agency and municipal bonds with a par value of \$3,000,000 and market value of \$3,003,500, pledged by the financial institution.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2006

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 generally internally, in which case the limit is 25% per issuer), and obligations of other issuers (other than the U.S. government, U.S. agencies, or U.S. government-sponsored corporations and agencies) may not exceed 5%.

As of June 30, 2006 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.

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, 2006 the Alumni Association's long-term fixed income investments consisted of mutual funds valued at \$3,585,700 employing a portfolio strategy designed to track the Lehman Brothers Aggregate Bond Index and match the risk and return characteristics. As of June 30, 2006 the duration for these mutual funds was 4.79 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, 2006 the Alumni Association's investments exposed to foreign currency risk consisted of equity mutual funds with U.S. dollar balances of \$3,153,000. Investments in countries representing more than 5% of the total U.S. dollar balances were as follows: United Kingdom 18.8%, Germany 10.1%, France 8.6%, Korea 7.2%, Sweden 7.1%, Japan 6.2%, Netherlands 6.1%, and Spain 5.5%.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2006

NOTE 5 – CAPITAL ASSETS

Capital assets as of June 30, 2006, were comprised of the following:

Furniture and fixtures	\$ 102,200
Equipment	93,900
Leasehold improvements	9,400
Buildings	492,200
Total Capital Assets	<u>697,700</u>
Less: Accumulated Depreciation	<u>(57,000)</u>
Net Capital Assets	<u><u>\$ 640,700</u></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 \$57,700 at June 30, 2006.

The scheduled commitments presented without discounting and discounted to net present value at June 30, 2006, are as follows:

<u>Fiscal year ending June 30,</u>	<u>Total Receivable</u>	<u>Discounted Receivable</u>	<u>Discounted Receivable, net of allowance</u>
2007	\$ 97,500	\$ 97,500	\$ 82,900
2008	76,500	74,300	59,400
2009	61,100	57,600	43,200
2010	42,900	39,200	27,500
2011	5,700	5,100	3,000
Total Life Memberships Receivable	<u><u>\$ 283,700</u></u>	<u><u>\$ 273,700</u></u>	<u><u>\$ 216,000</u></u>

NOTE 7 – AFFINITY PROGRAMS

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

NOTE 8 – RETIREMENT PLAN AND POST-EMPLOYMENT BENEFITS

The Alumni Association contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2006

employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SURS, 1901 Fox Drive, Champaign, IL 61820, or by calling (800) 275-7877.

Plan members are required to contribute 8.0% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 10.18% 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, 2006, 2005, and 2004, were \$52,400, \$45,100, and \$44,800, 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. The cost of health, dental and life insurance benefits is recognized by the State on a pay-as-you-go basis. These costs are funded by the State and are not an obligation of the Alumni Association or the University.

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

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2006

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:

2007	\$ 58,000
2008	58,000
2009	58,000
2010	58,000
2011	55,100
2012-2015	<u>204,000</u>
Total	<u>\$ 491,100</u>

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

Total lease expense for the year ended June 30, 2006, was \$76,600.

NOTE 10 -- RECLASSIFICATION

The classification of restricted cash and cash equivalents on the Statement of Net Assets has been reclassified to Cash and cash equivalents in the June 30, 2005, comparative totals in order to conform to the June 30, 2006, presentation. In connection with this, the restricted net assets were also reclassified to unrestricted designated net assets in the June 30, 2005 comparative totals.

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2006

NOTE 11 – 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 (4.4% at June 30, 2006). A balance of \$5,111,300 of the credit line was outstanding as of June 30, 2006. Interest expense incurred on the credit line was \$69,500 during the year ended June 30, 2006.

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

<u>Year ending June 30,</u>	<u>Payment</u>
2007	\$ 1,125,200
2008	1,212,600
2009	1,325,000
2010	1,448,500
	<u>\$ 5,111,300</u>

NOTE 12 – 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, 2006, the facility was substantially completed and has been occupied since April 2006. The total project cost is \$16.5 million, of which \$15.7 million had been paid as of June 30, 2006. The remaining balance of the project, \$0.8 million, will be funded first from contributions, pledges and bequests received by the University of Illinois Foundation (Foundation) and designated for the Alice Campbell Alumni Center. Donors have made contributions, pledges and bequests to the Foundation for this project in the amount of \$15.4 million as of June 30, 2006. Of these contributions, pledges and bequests, \$8.0 million have been collected and given to the University for construction of the building as of June 30, 2006. An additional \$2.6 million was provided by the Alumni Association from credit card affinity revenues held for construction of the building, and \$5.1 million was provided from borrowing against the line of credit (see note 11) 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. After construction has been completed, and all construction costs paid, 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, 2006 with Comparative Totals for 2005

	Funds		
	<u>Operating</u>	<u>Advance</u>	<u>Membership</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 264,200	\$ 767,500	\$ 200
Accounts receivable - University of Illinois	55,700	0	0
Accounts receivable - other	97,400	0	400
Life memberships receivable, net	20,100	0	48,900
Inventories	3,000	0	0
Prepaid expenses	48,700	0	0
Due from (to) other funds	1,900	0	(1,900)
Total current assets	<u>491,000</u>	<u>767,500</u>	<u>47,600</u>
Noncurrent Assets			
Investments	0	0	14,266,000
Life memberships receivable, net	32,200	0	78,900
Capital assets, net of depreciation	0	0	0
Total noncurrent assets	<u>32,200</u>	<u>0</u>	<u>14,344,900</u>
Total assets	<u>\$ 523,200</u>	<u>\$ 767,500</u>	<u>\$ 14,392,500</u>
LIABILITIES			
Current liabilities			
Accounts payable - University of Illinois	\$ 97,500	\$ 0	\$ 0
Accounts payable - others	113,200	0	0
Accrued liabilities	200,900	5,000	0
Deferred revenues	24,000	725,000	0
Credit Line - University of Illinois	0	1,125,200	0
Total current liabilities	<u>435,600</u>	<u>1,855,200</u>	<u>0</u>
Noncurrent Liabilities			
Credit Line - University of Illinois	0	3,986,100	0
Deferred revenues	8,600	0	0
Total noncurrent liabilities	<u>8,600</u>	<u>3,986,100</u>	<u>0</u>
Total liabilities	<u>444,200</u>	<u>5,841,300</u>	<u>0</u>
NET ASSETS			
Invested in capital assets	0	0	0
Unrestricted			
Designated	0	(5,073,800)	14,392,500
Undesignated	79,000	0	0
Total net assets	<u>79,000</u>	<u>(5,073,800)</u>	<u>14,392,500</u>
Total liabilities and net assets	<u>\$ 523,200</u>	<u>\$ 767,500</u>	<u>\$ 14,392,500</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

<u>Student</u>	<u>Constituent</u>	<u>Class Secretaries'</u>	<u>Plant</u>	<u>Total 2006</u>	<u>Memo 2005</u>
\$ 62,300	\$ 697,600	\$ 75,500	\$ 0	\$ 1,867,300	\$ 1,597,000
0	0	0	0	55,700	203,200
5,100	400	0	0	103,300	120,300
0	13,900	0	0	82,900	125,000
0	0	0	0	3,000	4,700
3,700	3,300	0	0	55,700	71,400
0	0	0	0	0	0
<u>71,100</u>	<u>715,200</u>	<u>75,500</u>	<u>0</u>	<u>2,167,900</u>	<u>2,121,600</u>
0	36,900	0	0	14,302,900	14,404,300
0	22,000	0	0	133,100	100,100
0	0	0	640,700	640,700	526,800
0	58,900	0	640,700	15,076,700	15,031,200
<u>\$ 71,100</u>	<u>\$ 774,100</u>	<u>\$ 75,500</u>	<u>\$ 640,700</u>	<u>\$ 17,244,600</u>	<u>\$ 17,152,800</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 97,500	\$ 70,500
8,600	43,300	0	0	165,100	56,100
300	200	0	0	206,400	202,000
11,300	900	0	0	761,200	745,800
0	0	0	0	1,125,200	0
<u>20,200</u>	<u>44,400</u>	<u>0</u>	<u>0</u>	<u>2,355,400</u>	<u>1,074,400</u>
0	0	0	0	3,986,100	0
0	0	0	0	8,600	8,600
0	0	0	0	3,994,700	8,600
<u>20,200</u>	<u>44,400</u>	<u>0</u>	<u>0</u>	<u>6,350,100</u>	<u>1,083,000</u>
0	0	0	640,700	640,700	526,800
0	0	75,500	0	9,394,200	14,249,700
50,900	729,700	0	0	859,600	1,293,300
<u>50,900</u>	<u>729,700</u>	<u>75,500</u>	<u>640,700</u>	<u>10,894,500</u>	<u>16,069,800</u>
<u>\$ 71,100</u>	<u>\$ 774,100</u>	<u>\$ 75,500</u>	<u>\$ 640,700</u>	<u>\$ 17,244,600</u>	<u>\$ 17,152,800</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

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

Year ended June 30, 2006 with Comparative Totals for 2005

	Funds		
	Operating	Advance	Membership
OPERATING REVENUES			
Membership fees	\$ 690,600	\$ 0	\$ 201,900
University of Illinois support	3,932,200	0	0
Affinity programs	458,200	2,850,000	0
Other revenues	546,200	0	0
Total operating revenues	<u>5,627,200</u>	<u>2,850,000</u>	<u>201,900</u>
OPERATING EXPENSES			
Communications	1,110,500	0	0
Information services	1,215,700	0	0
Membership promotion	584,900	0	0
Alumni outreach programs	2,391,500	0	0
General and operating expenses	2,422,600	525,000	0
Total operating expenses	<u>7,725,200</u>	<u>525,000</u>	<u>0</u>
Operating income (expense)	<u>(2,098,000)</u>	<u>2,325,000</u>	<u>201,900</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	27,400	27,000	258,000
Contributions	0	(6,949,600)	0
Interest expense	0	(69,500)	0
Net increase in fair value of investments	0	0	1,141,300
Net nonoperating revenues (expenses)	<u>27,400</u>	<u>(6,992,100)</u>	<u>1,399,300</u>
Transfers - additions (deductions)	<u>1,612,600</u>	<u>(1,063,800)</u>	<u>(725,800)</u>
Increase (decrease) in net assets	(458,000)	(5,730,900)	875,400
Net assets, beginning of year	<u>537,000</u>	<u>657,100</u>	<u>13,517,100</u>
Net assets, end of year	<u>\$ 79,000</u>	<u>\$ (5,073,800)</u>	<u>\$ 14,392,500</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

<u>Student</u>	<u>Constituent</u>	<u>Class Secretaries'</u>	<u>Plant</u>	<u>Total 2006</u>	<u>Memo 2005</u>
\$ 0	\$ 171,600	\$ 0	\$ 0	\$ 1,064,100	\$ 900,000
10,700	0	0	0	3,942,900	3,515,100
2,900	0	0	0	3,311,100	3,082,900
70,700	177,700	0	0	794,600	623,700
<u>84,300</u>	<u>349,300</u>	<u>0</u>	<u>0</u>	<u>9,112,700</u>	<u>8,121,700</u>
0	0	0	0	1,110,500	1,102,700
0	0	0	0	1,215,700	957,300
4,600	0	0	0	589,500	577,500
143,800	307,500	0	0	2,842,800	2,599,700
0	0	0	20,900	2,968,500	1,998,200
<u>148,400</u>	<u>307,500</u>	<u>0</u>	<u>20,900</u>	<u>8,727,000</u>	<u>7,235,400</u>
<u>(64,100)</u>	<u>41,800</u>	<u>0</u>	<u>(20,900)</u>	<u>385,700</u>	<u>886,300</u>
0	4,300	0	0	316,700	279,700
0	0	0	0	(6,949,600)	(1,362,600)
0	0	0	0	(69,500)	0
0	100	0	0	1,141,400	1,024,200
<u>0</u>	<u>4,400</u>	<u>0</u>	<u>0</u>	<u>(5,561,000)</u>	<u>(58,700)</u>
<u>64,100</u>	<u>(21,600)</u>	<u>0</u>	<u>134,500</u>	<u>0</u>	<u>0</u>
0	24,600	0	113,600	(5,175,300)	827,600
<u>50,900</u>	<u>705,100</u>	<u>75,500</u>	<u>527,100</u>	<u>16,069,800</u>	<u>15,242,200</u>
<u>\$ 50,900</u>	<u>\$ 729,700</u>	<u>\$ 75,500</u>	<u>\$ 640,700</u>	<u>\$ 10,894,500</u>	<u>\$ 16,069,800</u>

UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
Expenditures by Funding Source (Unaudited)
Year ended June 30, 2006 with Comparative Totals for 2005

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.

	2006			2005		
	Alumni Association	University	Total	Alumni Association	University	Total
Communications	\$ 664,900	\$ 445,600	\$ 1,110,500	\$ 506,000	\$ 596,700	\$ 1,102,700
Information services	324,000	891,700	1,215,700	196,500	760,800	957,300
Membership promotion	306,500	283,000	589,500	327,700	249,800	577,500
Alumni outreach programs	1,501,000	1,341,800	2,842,800	1,432,800	1,166,900	2,599,700
General and operating expenses	1,987,700	980,800	2,968,500	1,257,300	740,900	1,998,200
Total expenditures	\$ 4,784,100	\$ 3,942,900	\$ 8,727,000	\$ 3,720,300	\$ 3,515,100	\$ 7,235,400

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UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION

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