

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

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2008**

**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, 2008**

TABLE OF CONTENTS

	PAGE
AGENCY OFFICIALS	1
MANAGEMENT ASSERTION LETTER	2
COMPLIANCE REPORT	
Summary	3
Auditors' Reports:	
Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	4
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 <i>Government Auditing Standards</i>	7
Schedule of Findings:	
Prior Year Findings Not Repeated - State.....	9
 FINANCIAL STATEMENT REPORT	
 The Association's financial statement report for the year ended June 30, 2008, which includes the report of independent auditors, management discussion and analysis, basic financial statements and notes, supplementary information, and the 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 <i>Government Auditing Standards</i> has been issued separately.....	10
 SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES	
Summary	11
Fiscal Schedules and Analysis:	
Schedule of Changes in Property and Equipment.....	12
Comparative Schedule of Cash Receipts	13
Comparative Schedule of Cash and Cash Equivalents	14
Comparative Schedule of Investments.....	15
Comparative Schedule of Accounts Receivable	16
Explanation of Significant Variances in Revenues and Expenses	17
Analysis of Operations:	
Agency Functions and Planning Program.....	21
Average Number of Employees (Unaudited).....	22
Service Efforts and Accomplishments (Unaudited).....	23

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2008**

AGENCY OFFICIALS

President	Mr. Loren R. Taylor
Chief Operating Officer	Ms. Karen S. Tow
Chief Financial Officer	Mr. John R. Peirce
Legal Counsel	Mr. Thomas R. Bearrows
Internal Auditor	University of Illinois

Agency offices are located at:

200 South Wacker Drive
Chicago, Illinois 60606

Spencer House
4900 Shepherd Road
Springfield, Illinois 62703
Moved out December 17, 2007

One University Plaza
Springfield, Illinois 62703
Moved in December 17, 2007

601 S. Lincoln Avenue
Urbana, Illinois 61801

UIC Student Center East
750 S. Halstead, Suite 520
Chicago, Illinois 60607-7014



November 26, 2008

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, 2008. Based on this evaluation, we assert that during the years ended June 30, 2008 and June 30, 2007, 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, 2008**

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	0	2
Repeated findings	0	0
Prior recommendations implemented or not repeated	2	0

Exit Conference

A formal exit conference was not deemed necessary.

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
Prior Year Findings Not Repeated - State			
A	9	Time sheets not required	
B	9	Occupying office space without a written lease in place	

**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, 2008 and 2007. 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.

We conducted our examination 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 listed in the first paragraph of this report 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 requirements listed in the first paragraph of this report during the years ended June 30, 2008 and 2007.

Internal Control

The management of the Association is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Association's internal control over compliance with the requirements listed in the first paragraph of this report 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, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control.

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

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

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, 2008 and 2007, and have issued our reports thereon dated November 13, 2008 and September 27, 2007, 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, 2008 and 2007, 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, 2006. In our report dated July 28, 2006, we expressed an unqualified opinion on the basic financial statements. In our opinion, the 2006 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, 2006 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 Gunderson LLP

Peoria, Illinois
November 26, 2008

**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, 2008 and 2007, and have issued our reports thereon dated November 13, 2008 and September 27, 2007, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alumni Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alumni Association's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alumni Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters which we have reported to management of the Alumni Association in a separate letter dated November 13, 2008.

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.

A handwritten signature in cursive script that reads "Clifton Gunderson LLP".

Peoria, Illinois
November 26, 2008

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
PRIOR YEAR FINDINGS NOT REPEATED - STATE
For the Two Years Ended June 30, 2008**

A 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).

This finding has been moved to the report of immaterial findings. (Finding Code No. 06-1)

B 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.

During our testing, it was noted that written leases were in place for office locations. (Finding Code No. 06-2)

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
FINANCIAL STATEMENT REPORT SUMMARY
For the Two Years Ended June 30, 2008**

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, 2008."

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
SUPPLEMENTARY INFORMATION FOR STATE
COMPLIANCE PURPOSES SUMMARY
For the Two Years Ended June 30, 2008**

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, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
BALANCE, BEGINNING OF YEAR, NET OF ACCUMULATED DEPRECIATION	\$ 749,500	\$ 640,700
ADDITIONS		
Furniture and fixtures	-	21,200
Data processing equipment	45,900	148,000
DELETIONS		
Depreciation	<u>(72,500)</u>	<u>(60,400)</u>
BALANCE, END OF YEAR, NET OF ACCUMULATED DEPRECIATION	<u>\$ 722,900</u>	<u>\$ 749,500</u>

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Years Ended June 30, 2008, 2007, and 2006**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Membership fees and contributions	\$ 1,136,100	\$ 1,050,600	\$ 1,073,200
University of Illinois support	64,600	103,800	252,500
Investment income	385,000	336,300	316,700
Affinity programs	3,774,900	2,799,000	3,336,100
Other revenues	2,018,200	893,700	802,000
Proceeds from sale of investments and distributions	<u>557,100</u>	<u>703,000</u>	<u>1,526,800</u>
TOTAL	<u>\$ 7,935,900</u>	<u>\$ 5,886,400</u>	<u>\$ 7,307,300</u>

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
COMPARATIVE SCHEDULE OF CASH
AND CASH EQUIVALENTS
As of June 30, 2008 and 2007**

CASH AND CASH EQUIVALENTS	<u>Interest Rate</u>	<u>2008</u>	<u>2007</u>
JP Morgan Chase Bank - money market accounts	.10 - 1.73%	\$ 14,800	\$ 19,700
Busey Bank:			
General checking account	1.61 - 4.84%	1,435,300	601,100
Payroll account	.14 - .40%	10,500	3,100
Credit Union One - savings account	.71 - .75%	400	200
FSC Security - money market accounts	Varies	-	66,000
Petty cash	None	700	300
Prairie State Bank - checking account	None	400	600
Smith Barney - money market account	Varies	100	100
Fifth Third Bank	None	<u>100</u>	<u>100</u>
 TOTAL		 <u>\$ 1,462,300</u>	 <u>\$ 691,200</u>

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
COMPARATIVE SCHEDULE OF INVESTMENTS
As of June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
INVESTMENTS		
Corporate bonds and notes	\$ 3,764,100	\$ 4,052,400
Common stock	11,111,000	12,366,800
Real estate partnerships	4,700	107,800
Certificates of deposit	<u>-</u>	<u>33,000</u>
 TOTAL	 <u>\$ 14,879,800</u>	 <u>\$ 16,560,000</u>

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
COMPARATIVE SCHEDULE OF ACCOUNTS RECEIVABLE
As of June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Accounts receivable - University of Illinois	\$ 307,600	\$ 186,000
Accounts receivable - other	<u>167,200</u>	<u>164,900</u>
TOTAL	<u>\$ 474,800</u>	<u>\$ 350,900</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, 2008 and 2007**

Scope: Changes greater than \$41,000 and 20%

	Fiscal Year 2008	Fiscal Year 2007	Dollar Change	Percent of Change	See Notes Below
OPERATING REVENUES					
Membership fees	\$ 1,149,800	\$ 1,081,700	\$ 68,100	6%	
University of Illinois support	4,981,900	4,905,300	76,600	2	
Affinity program	3,764,600	3,502,200	262,400	7	
Other revenues	<u>1,904,400</u>	<u>974,500</u>	<u>929,900</u>	95	1
Total operating revenues	<u>11,800,700</u>	<u>10,463,700</u>	<u>1,337,000</u>		
OPERATING EXPENSES					
Communications	1,337,600	1,212,100	125,500	10	
Information services	1,314,600	1,354,200	(39,600)	(3)	
Membership promotion	582,900	674,700	(91,800)	(14)	
Alumni outreach programs	3,825,200	3,101,000	724,200	23	2
General and operating	<u>3,304,200</u>	<u>3,348,900</u>	<u>(44,700)</u>	(1)	
Total operating expenses	<u>10,364,500</u>	<u>9,690,900</u>	<u>673,600</u>		
NONOPERATING REVENUES (EXPENSES)					
Investment income	385,000	336,300	48,700	14	
Contributions	(334,100)	(684,900)	350,800	(51)	3
Contributions received	483,200	722,900	(239,700)	33	4
Interest expense	(148,300)	(216,100)	67,800	(31)	5
Net increase (decrease) in fair value of investments	<u>(1,473,000)</u>	<u>2,490,300</u>	<u>(3,963,300)</u>	(159)	6
Net nonoperating revenues (expenses)	<u>(1,087,200)</u>	<u>2,648,500</u>	<u>(3,735,700)</u>		
CHANGE IN NET ASSETS	349,000	3,421,300	(3,072,300)		
NET ASSETS, BEGINNING OF YEAR	<u>14,315,800</u>	<u>10,894,500</u>	<u>3,421,300</u>		
NET ASSETS, END OF YEAR	<u>\$ 14,664,800</u>	<u>\$ 14,315,800</u>	<u>\$ 349,000</u>		

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
EXPLANATION OF SIGNIFICANT VARIANCES
IN REVENUES AND EXPENSES
For the Years Ended June 30, 2008 and 2007**

(Continued)

- (1) The increase in other revenues resulted from increased event revenues at the Alumni Center as it is being utilized more often and an increase in revenue from event registrations and postseason athletic tickets as the football team qualified for the Rose Bowl and the Alumni Association hosted events for the fans that attended.
- (2) The increased spending on alumni outreach programs is due to the Association spending more on electronic and print communications to Association members and also due to the expenses incurred while hosting events for the Rose Bowl.
- (3) The funds spent by the Alumni Association to fund the Alice Campbell Alumni Center are shown as nonoperating expenses. The expenditures during fiscal year 2007 were greater than fiscal year 2008 as the vast majority of construction costs had already been realized.
- (4) The decrease in contributions received is a result of receiving less contributions related to the building of the Alumni Center. This will fluctuate from year to year until all pledges and bequests have been received.
- (5) The decrease in interest expense is due to a smaller average balance than in 2007 as the Association has been paying down the credit line with the University.
- (6) The decrease in net fair value of investments is due to the financial markets performing poorly during fiscal year 2008 as compared with fiscal year 2007.

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, 2007 and 2006**

Scope: Changes greater than \$33,300 and 20%

	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>	<u>Dollar Change</u>	<u>Percent of Change</u>	<u>See Notes Below</u>
OPERATING REVENUES					
Membership fees	\$ 1,081,700	\$ 1,064,100	\$ 17,600	2%	
University of Illinois support	4,905,300	3,942,900	962,400	24	1
Affinity program	3,502,200	3,311,100	191,100	6	
Other revenues	<u>974,500</u>	<u>794,600</u>	<u>179,900</u>	23	2
Total operating revenues	<u>10,463,700</u>	<u>9,112,700</u>	<u>1,351,000</u>		
OPERATING EXPENSES					
Communications	1,212,100	1,110,500	101,600	9	
Information services	1,354,200	1,215,700	138,500	11	
Membership promotion	674,700	589,500	85,200	14	
Alumni outreach programs	3,101,000	2,842,800	258,200	9	
General and operating	<u>3,348,900</u>	<u>2,968,500</u>	<u>380,400</u>	13	
Total operating expenses	<u>9,690,900</u>	<u>8,727,000</u>	<u>963,900</u>		
NONOPERATING REVENUES (EXPENSES)					
Investment income	336,300	316,700	19,600	6	
Contributions	(684,900)	(6,949,600)	6,264,700	90	3
Contributions received	722,900	-	722,900	100	4
Interest expense	(216,100)	(69,500)	(146,600)	211	5
Net increase in fair value of investments	<u>2,490,300</u>	<u>1,141,400</u>	<u>1,348,900</u>	118	6
Net nonoperating revenues (expenses)	<u>2,648,500</u>	<u>(5,561,000)</u>	<u>8,209,500</u>		
CHANGE IN NET ASSETS	3,421,300	(5,175,300)	8,596,600		
NET ASSETS, BEGINNING OF YEAR	<u>10,894,500</u>	<u>16,069,800</u>	<u>(5,175,300)</u>		
NET ASSETS, END OF YEAR	<u>\$ 14,315,800</u>	<u>\$ 10,894,500</u>	<u>\$ 3,421,300</u>		

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS ALUMNI ASSOCIATION
EXPLANATION OF SIGNIFICANT VARIANCES
IN REVENUES AND EXPENSES
For the Years Ended June 30, 2007 and 2006**

(Continued)

- (1) The increase in University of Illinois support results from Illinois Connection, an advocacy publication for the University being moved from the University to the Alumni Association. Also, there was an increase in the annual support for the Alice Campbell Alumni Center as the Alumni Association occupied the building for all of fiscal year 2007 as opposed to two months during fiscal year 2006.
- (2) The increase in other revenues results from increased revenues for the paver program and room rentals at the Alice Campbell Alumni Center. The rentals increased as the Alumni Association occupied the building for all of fiscal year 2007 as opposed to two months during fiscal year 2006.
- (3) The funds spent by the Alumni Association to fund the Alice Campbell Alumni Center are shown as nonoperating expenses. The expenditures during fiscal year 2006 were greater than fiscal year 2007 as the majority of the construction costs were realized during fiscal year 2006.
- (4) The increase in contributions received is a result of the construction for the Alice Campbell Alumni Center being complete. The Alumni Association is receiving pledges and bequests that related to the fundraising for the building through the Foundation. The Foundation is directing these receipts to the University as a means of paying down the line of credit the Alumni Association has with the University.
- (5) Borrowing against the line of credit with the University did not begin until the middle of fiscal year 2006. The much greater average balance of the line of credit is responsible for the increase.
- (6) The increase in the net increase in fair value of investments is due mainly to higher market returns during fiscal year 2007 as compared with fiscal year 2006.

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, 2008**

The mission of the University of Illinois Alumni Association is to foster a spirit of loyalty and fraternity among the graduates and former students of the University of Illinois, and to effect united action in promoting the welfare of the University. 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 Association is composed of alumni and governed by alumni, and is managed and operated by a professional staff of approximately 60 full-time employees. The corporate powers, business, and property of the Association are controlled by the Association Board of Directors, members of which are determined in accordance with the by-laws of the Association. An Executive Committee meets as needed to consider policy matters and transact business in the intervals between three regular Board of Directors' meetings per annum. Mr. Thomas Vogelsinger is Chairman of the Board of Directors. Mr. Loren R. Taylor is President and Chief Executive Officer.

Annual budgets are prepared by a budget subcommittee of alumni board members and staff of 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, 2008, 2007, and 2006**

(Unaudited)

The Alumni Association had an average of eight full-time employees in 2008, six full-time employees in 2007, and five full-time employees in 2006.

	Fiscal Year		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Urbana office	6	4	3
Chicago office	1	1	1
Springfield office	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u><u>8</u></u>	<u><u>6</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 foster a spirit of loyalty and fraternity among the graduates and former students of the University of Illinois, and to effect united action in promoting the welfare of the University. The Association inspires lifelong loyalty and pride among its alumni and friends by strengthening their continued relationship with the University in every way.

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.

The Association works with the University of Illinois Foundation to collect and manage 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 collects information that allows for coordinated communications according to alumni preferences.

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 a communication channel for alumni input and works to accurately represent alumni opinions.

The Association manages and operates Illinois Connection, the legislative advocacy effort for the University of Illinois and its alumni.

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. Through the Explorers Travel Program, the Association provides high-quality, diverse group travel opportunities.

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

(Unaudited)

The following statistics for fiscal year 2008 are representative of the service efforts and accomplishments:

Total paid membership count	102,298
Expenditures per paid member	\$ 101.32
Illinois Alumni Magazines published	6
UIC Alumni Magazines published	6
UIS Horizons Magazines published	4
Alumni assisted by the Career Center	11,491
Alumni, students, and faculty honored	400
Alumni record updates	567,570
UIAA online directory visitors	389,672
Number of visitors to the UIAA website	5,186,587
Average visit length	13 minutes, 54 seconds