

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS FOUNDATION
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 FOUNDATION
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
Auditor’s 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 SUMMARY	
The Foundation’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, 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 Farms, Land, Buildings, and Equipment.....	12
Comparative Schedule of Cash Receipts	14
Comparative Schedule of Cash and Cash Equivalents	15
Comparative Schedule of Investments.....	16
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 FOUNDATION
AGENCY OFFICIALS
For the Two Years Ended June 30, 2008**

President	Dr. Sidney Micek
Treasurer	Mr. Walter Knorr
Secretary	Mr. Bradley Hatfield
Assistant Secretary	Ms. Kathy Calvert
Assistant Secretary	Ms. Bernice Freeman
Assistant Treasurer	Ms. Mary Millage
Assistant Treasurer	Mr. Douglas Beckmann
Assistant Treasurer	Ms. Laura Vossman
Assistant Treasurer	Mr. Dean Hagan
Legal Counsel	Mr. Thomas Bearrows
Internal Auditor	University of Illinois
Controller	Ms. Michelle White

Agency offices are located at:

Harker Hall
Urbana, IL 61801



University of Illinois Foundation
Harker Hall
1305 West Green Street
Urbana, IL 61801-2962
217 333 0810
uif.uillinois.edu

December 29, 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 Foundation (Foundation). 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 Foundation'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 Foundation has materially complied with the assertions below.

- A. The Foundation 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 Foundation 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 Foundation 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 Foundation 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 Foundation or held in trust by the Foundation 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 Foundation


Sidney Micek, President


Mary Millage, Assistant Treasurer



THE CAMPAIGN FOR THE
UNIVERSITY OF ILLINOIS

COMPLIANCE REPORT TAB

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS FOUNDATION
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.

AUDITOR'S REPORTS

The Independent Accountant's 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 FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	0	1
Repeated findings	0	0
Prior recommendations implemented or not repeated	1	0

EXIT CONFERENCE

A formal exit conference was waived by Foundation management in a correspondence dated December 22, 2008.

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	

AUDITOR'S REPORTS TAB

**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 Foundation

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the University of Illinois Foundation's (Foundation) 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 Foundation is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

- A. The Foundation 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 Foundation 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 Foundation 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 Foundation 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 Foundation or held in trust by the Foundation 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 Foundation'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 Foundation's compliance with specified requirements.

In our opinion, the Foundation 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 Foundation 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 Foundation'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 Foundation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation as of and for the years ended June 30, 2008 and 2007, and have issued our reports thereon dated December 29, 2008 and November 26, 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 Foundation. 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 Foundation's basic financial statements for the year ended June 30, 2006. In our report dated August 3, 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 Foundation, and Foundation management, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Peoria, Illinois
December 29, 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 Foundation

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the University of Illinois Foundation (Foundation), as of and for the years ended June 30, 2008 and 2007, and have issued our reports thereon dated December 29, 2008 and November 26, 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 Foundation'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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters which we have reported to management of the Foundation in a separate letter dated December 29, 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 Foundation, and Foundation management, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Peoria, Illinois
December 29, 2008

FINDINGS AND RECOMMENDATIONS TAB

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

A Finding: Time Sheets Not Required

The Foundation 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).

FINANCIAL STATEMENT REPORT TAB

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

The audit of the financial statements of the University of Illinois Foundation was performed by Clifton Gunderson LLP.

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

The financial statements are issued under separate cover, in a report titled "University of Illinois Foundation Financial Audit, for the year ended June 30, 2008."

**SUPPLEMENTARY INFORMATION FOR
STATE COMPLIANCE PURPOSES TAB**

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS FOUNDATION
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 Farms, Land, Buildings, 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 Variations in Revenues and Expenses

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

The auditor's 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 financial statements and, in the auditor's 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.

FISCAL SCHEDULES AND ANALYSIS TAB

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS FOUNDATION
SCHEDULE OF CHANGES IN FARMS, LAND,
BUILDINGS, AND EQUIPMENT
For the Year Ended June 30, 2008**

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance at June 30, 2008</u>
Farmland	\$ 16,926,583	\$ 4,946,477	\$ (621,074)	\$ 21,251,986
Land	1,609,165	150,000	(457,762)	1,301,403
Buildings	13,177,348	1,005,000	(1,359,790)	12,822,558
Equipment	1,273,694	181,580	(38,551)	1,416,723
Accumulated depreciation	<u>(558,384)</u>	<u>(218,260)</u>	<u>38,551</u>	<u>(738,093)</u>
	<u>\$ 32,428,406</u>	<u>\$ 6,064,797</u>	<u>\$ (2,438,626)</u>	<u>\$ 36,054,577</u>

Farm additions consisted of the following:

Hahn	\$ 944,554
Pieske	930,470
Bunch	1,788,326
Douglas	1,283,127

Farm disposals consisted of the following:

Kruger	615,000
Rutan	6,074

Land additions consisted of the following:

Schroeder	150,000
-----------	---------

Land disposals consisted of the following:

901 W. University	457,762
-------------------	---------

Building additions consisted of the following:

Jonasson	1,005,000
----------	-----------

Building disposals consisted of the following:

Hobson	1,100,000
902-904 W. Clark	259,790

Equipment additions consisted of the following:

Office equipment	167,189
Software	14,391

Equipment disposals consisted of the following:

Office equipment	38,551
------------------	--------

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS FOUNDATION
SCHEDULE OF CHANGES IN FARMS, LAND,
BUILDINGS, AND EQUIPMENT
For the Year Ended June 30, 2007**

	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance at June 30, 2007</u>
Farmland	\$ 16,000,574	\$ 2,657,040	\$ (1,731,031)	\$ 16,926,583
Land	2,975,369	-	(1,366,204)	1,609,165
Buildings	14,506,294	700,000	(2,028,946)	13,177,348
Equipment	1,123,086	251,171	(100,563)	1,273,694
Accumulated depreciation	<u>(400,467)</u>	<u>(244,072)</u>	<u>86,155</u>	<u>(558,384)</u>
	<u>\$ 34,204,856</u>	<u>\$ 3,364,139</u>	<u>\$ (5,140,589)</u>	<u>\$ 32,428,406</u>

Farm additions consisted of the following:

Mitchell	\$ 160,284
Pell	2,496,756

Farm disposals consisted of the following:

Newton	397,423
Maxwell	249,858
Pike	1,083,750

Land disposals consisted of the following:

Irwin	1,071,400
O'Neil Airport	84,861
1101 W. University	140,050
904 W. Illinois	69,893

Building addition consisted of the following:

Noel	700,000
------	---------

Building disposals consisted of the following:

Johnson	260,000
Pike	60,000
1004 and 1006 W. Nevada	1,125,456
1106 W. Main	583,490

Equipment additions consisted of the following:

Office equipment	242,671
Software	8,500

Equipment disposals consisted of the following:

Office equipment	100,563
------------------	---------

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contributions and gifts	\$ 145,549,501	\$ 126,657,031	\$ 128,213,236
Investment income	9,190,538	12,792,526	9,400,482
Proceeds on sale of investments	1,269,718,092	1,246,600,662	1,003,153,893
Proceeds on sale of capital assets to the University of Illinois	717,553	-	3,083,461
Proceeds from note payable	1,283,127	-	-
Service fee revenue	13,715,714	11,343,168	9,942,922
Allocation from the University of Illinois	8,157,742	8,271,887	8,225,744
Endowment property operations	768,518	511,448	589,579
Annual funds income	327,941	469,586	439,742
Other	<u>8,856,314</u>	<u>8,790,005</u>	<u>6,361,143</u>
 TOTAL	 <u>\$ 1,458,285,040</u>	 <u>\$ 1,415,436,313</u>	 <u>\$ 1,169,410,202</u>

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

	Interest Rate	<u>2008</u>	<u>2007</u>
Cash and cash equivalents:			
Apartment managers - various	Varies	\$ 1,865	\$ 1,577
Main Street Bank and Trust - ECRU Corporation	Varies	-	6,941
JP Morgan Chase - checking account	None	144,536	836,917
Busey Bank:			
General checking account	None	167,424	357,770
Annuity and life income	None	96,482	97,280
Credit card account	None	124,206	138,862
Investment	Varies	1,753,284	1,885,284
ECRU Corporation	None	8,184	-
Cozad Asset Managers - investment accounts	Varies	27,754	33,861
US Bank	None	9,682	21,012
Petty cash	None	75	75
University of Illinois - farm account	Varies	97,384	33,362
Securities to be sold - various	N/A	686,688	182,282
Quellos Strategic Partners II	Varies	<u>697,029</u>	<u>1,317,627</u>
		<u>\$ 3,814,593</u>	<u>\$ 4,912,850</u>

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

	<u>2008</u>	<u>2007</u>
INVESTMENTS		
U.S. and international government securities	\$ 40,650,725	\$ 65,672,401
Corporate bonds and notes	57,036,957	61,949,488
Preferred stock	484,408	3,195
International preferred stock	1,680,204	953,989
Common stock	234,999,575	306,776,732
International common stock	166,874,620	193,321,466
Real estate trusts and partnerships	377,491,118	238,431,017
Mutual funds - bonds	96,321,997	123,241,499
Mutual funds - stocks	173,694,554	204,781,815
Mutual funds - blended	848,610	899,309
Mutual funds - money market	42,417,474	32,243,121
Other	<u>3,322,891</u>	<u>3,864,526</u>
TOTAL	<u>\$ 1,195,823,133</u>	<u>\$ 1,232,138,558</u>

**COMPARATIVE SCHEDULE OF ACCOUNTS RECEIVABLE
As of June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Accounts receivable - University of Illinois	\$ 236,217	\$ 256,892
Accounts receivable - other	118,540	7,170
Accounts receivable - security sales	<u>10,899,489</u>	<u>33,192,455</u>
TOTAL	<u>\$ 11,254,246</u>	<u>\$ 33,456,517</u>

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

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

Scope: Changes greater than \$1,250,000 and 20 percent

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Percent of Change</u>	<u>See Note Below</u>
REVENUES					
Contributions and gifts	\$ 161,242,557	\$ 139,471,879	\$ 21,770,678	16%	
Investment income	6,145,180	10,100,736	(3,955,556)	(39)	1
Service fees	13,715,714	11,343,168	2,372,546	21	2
Allocation from the University of Illinois	8,881,742	8,958,887	(77,145)	(1)	
Endowment property operations	768,518	511,448	257,070	50	
Annual funds	418,636	400,542	18,094	5	
Other	8,943,836	8,790,005	153,831	2	
Net increase (decrease) in fair value of investments	<u>(71,088,968)</u>	<u>159,949,646</u>	<u>(231,038,614)</u>	(144)	3
Total revenues	<u>129,027,215</u>	<u>339,526,311</u>	<u>(210,499,096)</u>		
EXPENSES					
Salaries and benefits	15,960,370	14,579,600	1,380,770	9	
Meetings, conferences, and special events	1,196,403	1,455,554	(259,151)	(18)	
Equipment	522,147	534,483	(12,336)	(2)	
Marketing and communications	1,295,527	1,517,991	(222,464)	(15)	
Supplies and other	2,191,385	3,149,510	(958,125)	(30)	
Depreciation	218,261	244,072	(25,811)	(11)	
Travel	1,132,501	989,221	143,280	14	
Actuarial adjustments	3,095,212	3,578,386	(483,174)	(14)	
Distributions to the University of Illinois	136,866,081	128,731,012	8,135,069	6	
Interest on indebtedness	<u>299,764</u>	<u>325,141</u>	<u>(25,377)</u>	(8)	
Total expenses	<u>162,777,651</u>	<u>155,104,970</u>	<u>7,672,681</u>		
CHANGE IN NET ASSETS	(33,750,436)	184,421,341	(218,171,777)		
NET ASSETS, BEGINNING OF PERIOD	<u>1,234,952,788</u>	<u>1,050,531,447</u>	<u>184,421,341</u>		
NET ASSETS, END OF PERIOD	<u>\$ 1,201,202,352</u>	<u>\$ 1,234,952,788</u>	<u>\$(33,750,436)</u>		

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

Explanation of Significant Variations in Revenues and Expenses

1. Change in interest income is due to decreases in interest rates and investments.
2. Change in service fee income is due to the service fee increasing from 1.1% to 1.2% and increase in average endowment balance from 2007 to 2008.
3. Change in unrealized gains is due to market value fluctuations; the market value of investments decreased in 2008.

Responses were provided by Foundation personnel.

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

Scope: Changes greater than \$1,250,000 and 20 percent

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Percent of Change</u>	<u>See Note Below</u>
REVENUES					
Contributions and gifts	\$ 139,471,879	\$ 146,351,569	\$ (6,879,690)	(5) %	
Investment income	10,100,736	7,294,464	2,806,272	38	1
Service fees	11,343,168	9,942,922	1,400,246	14	
Allocation from the University of Illinois	8,958,887	8,641,937	316,950	4	
Endowment property operations	511,448	589,579	(78,131)	(13)	
Annual funds	400,542	439,742	(39,200)	(9)	
Other	8,790,005	6,361,142	2,428,863	38	2
Net increase in fair value of investments	<u>159,949,646</u>	<u>84,816,689</u>	<u>75,132,957</u>	89	3
Total revenues	<u>339,526,311</u>	<u>264,438,044</u>	<u>75,088,267</u>		
EXPENSES					
Salaries and benefits	14,579,600	13,153,622	1,425,978	11	
Meetings, conferences, and special events	1,455,554	945,047	510,507	54	
Equipment	534,483	373,243	161,240	43	
Marketing and communications	1,517,991	742,181	775,810	105	
Supplies and other	3,149,510	2,124,375	1,025,135	48	
Depreciation	244,072	105,723	138,349	131	
Travel	989,221	939,387	49,834	5	
Actuarial adjustments	3,578,386	2,721,079	857,307	32	
Distributions to the University of Illinois	128,731,012	127,278,550	1,452,462	1	
Interest on indebtedness	<u>325,141</u>	<u>395,962</u>	<u>(70,821)</u>	(18)	
Total expenses	<u>155,104,970</u>	<u>148,779,169</u>	<u>6,325,801</u>		
CHANGE IN NET ASSETS	184,421,341	115,658,875	68,762,466		
NET ASSETS, BEGINNING OF PERIOD	<u>1,050,531,447</u>	<u>934,872,572</u>	<u>115,658,875</u>		
NET ASSETS, END OF PERIOD	<u>\$ 1,234,952,788</u>	<u>\$ 1,050,531,447</u>	<u>\$ 184,421,341</u>		

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

Explanation of Significant Variations in Revenues and Expenses

1. Increase is due to market fluctuations. Interest rates and investments increased in fiscal year 2007.
2. The increase is the result of more endowment income transferred from the University to the Foundation for investment.
3. Change in unrealized gains is due to market fluctuations; the market value of investments increased in 2007.

Responses were provided by Foundation personnel.

ANALYSIS OF OPERATIONS TAB

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS FOUNDATION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2008**

The University of Illinois Foundation (Foundation) is located in Harker Hall on the campus of the University of Illinois, Urbana, Illinois. Dr. Sidney Micek is the President of the Foundation and Michael T. Tokarz is the Chairman of the Board of Directors.

The Foundation was incorporated under the “General Not-For-Profit Corporation Act” of the State of Illinois on August 27, 1935. The primary objectives of the Foundation are to assist in developing and increasing the facilities of the University of Illinois for broader educational opportunities for, and service to, its students, alumni, and citizens of the State of Illinois. These objectives are accomplished by providing the fiscal means and management procedures to allow the University to carry on instructional services and research activities not normally provided for by State appropriation. Also, the Foundation is to perform other acts that in the judgment of its Board of Directors promote the interest and welfare of the University of Illinois.

Annually, the Foundation prepares a plan through the budgeting process. Based on fundraising goals, it outlines programmatic expenses and major sources of revenue. The responsibility for overseeing the formulation and implementation of the plan rests with the Board of Directors. The Board consists of not fewer than 18 and not more than 24 persons. Members of the Foundation elect the Directors. Six to nine directors are elected annually for a three-year term, and no director elected by the members of the Foundation may serve more than two consecutive three-year terms as an elected regular director. The President of the Foundation is elected by the Board of Directors. The President acts under the guidance of the Board of Directors. Both the establishment and monitoring of goals and activities appear to be adequate.

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS FOUNDATION
AVERAGE NUMBER OF EMPLOYEES (UNAUDITED)
For the Years Ended June 30, 2008, 2007, and 2006**

The Foundation had 151 full time employees in 2008, 145 full time employees in 2007, and 139 full time employees in 2006.

<u>Fiscal Year</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual Giving	13	14	14
Associates Chancellors	3	2	4
Communications	3	5	5
President and Staff	8	10	7
Special Events	5	5	3
Gift Administration:			
Accounting	10	10	10
Human Resources	4	4	4
Records Services	4	4	4
Facts/User Services	13	11	9
Gift Processing	8	8	8
Administration	3	4	4
Information Systems	13	13	10
Cash Receipts	3	3	3
Stewardship Services	8	7	6
Planning and Policy	2	0	0
Gift Development:			
Gift Development	14	14	18
Research	14	12	12
President's Council	3	3	3
Principal Gifts	6	4	5
Planned Giving and Trust Services	<u>14</u>	<u>12</u>	<u>10</u>
TOTAL	<u>151</u>	<u>145</u>	<u>139</u>

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS FOUNDATION
SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)**

The University of Illinois Foundation (Foundation) was formed for the purpose of providing fundraising services to the University of Illinois (University) in order to attract private gifts. These gifts are used to support the University's instructional research and public service activities.

The Governmental Accounting Standards Board has defined three categories to measure service efforts and accomplishments.

1. Output measures of the quantity or quality of service provided. Distributions to the University is the output measurement of service provided by the Foundation.

	Distributions to the University				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Unrestricted	\$ 453,769	\$ 449,470	\$ 465,673	\$ 422,035	\$ 340,959
Restricted	<u>136,412,312</u>	<u>128,281,542</u>	<u>126,812,877</u>	<u>122,098,695</u>	<u>122,258,607</u>
Total	<u>\$136,866,081</u>	<u>\$128,731,012</u>	<u>\$127,278,550</u>	<u>\$122,520,730</u>	<u>\$122,599,566</u>

2. Outcome measures of the results and progress toward established goals and objectives. Gifts and contributions revenue is the outcome measurement of the results achieved by the Foundation.

	Contributions to the Foundation				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Restricted	\$ 115,111,151	\$ 107,795,070	\$ 109,856,065	\$ 96,003,809	\$ 77,628,592
Endowment	37,108,477	28,352,993	31,397,057	24,444,654	40,518,980
Annuity and life income	<u>9,022,929</u>	<u>3,323,816</u>	<u>5,098,447</u>	<u>2,575,526</u>	<u>4,529,598</u>
Total	<u>\$161,242,557</u>	<u>\$139,471,879</u>	<u>\$146,351,569</u>	<u>\$123,023,989</u>	<u>\$122,677,170</u>

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS FOUNDATION
SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)**

(Continued)

3. Efficiency measures relate resources used to the outputs. The contributions ratio or cost per dollar raised and the distribution ratio or cost per dollar distributed are the efficiency measures of the Foundation.

	Contributions to the Foundation				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General and operating expense	\$ 22,298,333	\$ 22,226,359	\$ 18,277,855	\$ 15,526,609	\$ 12,808,024
Contributions	161,242,557	139,471,879	146,351,569	123,023,989	122,677,170
Contribution ratio	0.138	0.159	0.125	0.126	0.104
General and operating expense	22,298,333	22,226,359	18,277,855	15,526,609	12,808,024
Distribution to the University	136,866,081	128,731,012	127,278,550	122,520,730	122,599,566
Distribution ratio	0.163	0.173	0.144	0.127	0.105