



**UNIVERSITY OF ILLINOIS  
ALUMNI ASSOCIATION**

*Building Relationships for Life*

**Financial Statements**

**Year Ended June 30, 2011**

with

Report of Independent Public Accountants

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## Independent Auditor's Report

To the Board of Directors  
University of Illinois Alumni Association

We have audited the accompanying statement of financial position of the University of Illinois Alumni Association (Alumni Association), a component unit of the University of Illinois which is a component unit of the State of Illinois, as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alumni Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alumni Association as of June 30, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Springfield, Illinois  
October 28, 2011

University of Illinois Alumni Association

Statements of Financial Position

June 30, 2011 and 2010

	2011	2010
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 1,744,200	\$ 1,269,000
Accounts receivable - University of Illinois	293,100	361,400
Accounts receivable - other	121,500	147,200
Life memberships receivable, net of discounts and allowances of \$4,100 and \$7,700	23,300	43,800
Inventories	6,800	7,100
Prepaid expenses	195,600	182,700
<b>Total current assets</b>	<b>2,384,500</b>	<b>2,011,200</b>
Noncurrent Assets		
Investments	15,636,300	13,016,200
Life memberships receivable, net of discounts and allowances of \$1,700 and \$10,100	7,000	31,400
Other assets	63,800	-
Capital assets, net of depreciation	612,800	679,300
	<b>16,319,900</b>	<b>13,726,900</b>
	<b>\$ 18,704,400</b>	<b>\$ 15,738,100</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable - University of Illinois	\$ 192,300	\$ 84,500
Accounts payable - other	69,700	48,300
Accrued liabilities	151,900	147,600
Deferred revenues, current	50,300	56,600
Credit line - University of Illinois, current portion	250,000	250,000
<b>Total current liabilities</b>	<b>714,200</b>	<b>587,000</b>
Noncurrent Liabilities		
Credit line - University of Illinois, less current portion	700,500	968,400
Deferred revenues	8,600	8,600
	<b>709,100</b>	<b>977,000</b>
	<b>1,423,300</b>	<b>1,564,000</b>
Net Assets		
Unrestricted	1,495,400	870,400
Unrestricted, Board Designated	15,785,700	13,303,700
<b>Total net assets</b>	<b>17,281,100</b>	<b>14,174,100</b>
<b>Total liabilities and net assets</b>	<b>\$ 18,704,400</b>	<b>\$ 15,738,100</b>

See Notes to Financial Statements.

**University of Illinois Alumni Association**

**Statements of Activities  
Year Ended June 30, 2011 and 2010**

	2011	2010
Operating revenues:		
Membership fees	\$ 760,600	\$ 719,900
University of Illinois support, including benefits	4,389,300	4,707,300
Affinity programs	1,840,500	2,221,200
Other revenues	746,000	749,400
Total operating revenues	<u>7,736,400</u>	<u>8,397,800</u>
Operating expenses:		
Communications	1,149,900	1,171,400
Information services	1,383,500	1,408,600
Membership promotion	587,000	557,100
Alumni outreach programs	2,663,700	2,808,000
General and operating	2,119,600	2,427,400
Total operating expenses	<u>7,903,700</u>	<u>8,372,500</u>
<b>Operating income (loss)</b>	<u>(167,300)</u>	25,300
Nonoperating revenues (expenses):		
Investment income, net	385,600	376,300
Contribution to Alice Campbell Alumni Center	-	(151,900)
Contributions	81,600	216,600
Interest expense	(24,900)	(44,000)
Realized and unrealized gains on investments, net	2,832,000	1,446,200
Net nonoperating revenues	<u>3,274,300</u>	<u>1,843,200</u>
<b>Increase in net assets</b>	<b>3,107,000</b>	1,868,500
Net assets:		
Beginning	<u>14,174,100</u>	12,305,600
Ending	<u>\$ 17,281,100</u>	<u>\$ 14,174,100</u>

See Notes to Financial Statements.

University of Illinois Alumni Association

Statements of Cash Flows  
Year Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Membership fees	\$ 782,500	\$ 811,500
University of Illinois support	350,900	198,500
Affinity programs	1,872,900	1,288,800
Other revenues	754,300	749,700
Payments to vendors	(1,606,900)	(1,917,000)
Payments for salaries	(1,037,000)	(1,098,900)
Payments to University of Illinois	(964,000)	(1,127,000)
<b>Net cash provided by (used in) operating activities</b>	<b>152,700</b>	<b>(1,094,400)</b>
Cash Flows from Investing Activities		
Interest and dividends from investments	385,600	376,300
Dividends reinvested	(384,100)	(375,400)
Proceeds from sale of investments	1,096,000	2,643,900
Purchase of investments	(500,000)	(1,585,000)
<b>Net cash provided by investing activities</b>	<b>597,500</b>	<b>1,059,800</b>
Cash Flows from Financing Activities		
Contribution to Alice Campbell Alumni Center	-	(151,900)
Credit line repayments	(275,000)	(140,000)
<b>Net cash (used in) financing activities</b>	<b>(275,000)</b>	<b>(291,900)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>475,200</b>	<b>(326,500)</b>
Cash and cash equivalents:		
Beginning	1,269,000	1,595,500
Ending	<b>\$ 1,744,200</b>	<b>\$ 1,269,000</b>

(Continued)

**University of Illinois Alumni Association**

**Statements of Cash Flows (Continued)**

**Year Ended June 30, 2011 and 2010**

	2011	2010
Reconciliation of net operating income to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (167,300)	\$ 25,300
Depreciation	66,500	70,500
Effects of changes in assets and liabilities:		
Membership receivables, net	44,900	91,600
Other receivables, net	25,700	(121,300)
Accounts receivable - University of Illinois, net	68,300	(125,800)
Inventories	300	3,800
Prepaid expenses	(12,900)	(65,100)
Accounts payable	129,200	(52,900)
Accrued liabilities	4,300	(43,500)
Deferred revenues	(6,300)	(877,000)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 152,700</b>	<b>\$ (1,094,400)</b>
Supplemental Disclosures of Cash Flow Information		
On-behalf payment of fringe benefits	\$ 774,500	\$ 772,800
University Foundation "on-behalf" payments on credit line	\$ 17,800	\$ 216,600
University paid salaries	\$ 2,284,600	\$ 2,465,800
University paid operating expenses	\$ 1,049,300	\$ 1,078,200

See Notes to Financial Statements.

## University of Illinois Alumni Association

### Notes to Financial Statements

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#### 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 provides memberships in the Alumni Association to all 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. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. 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 University is a component unit of the State of Illinois.

**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.

**Revenue recognition:** Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported in the statements of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions and related gains and investment income that are met in the same year as received are reported as unrestricted revenues.

**Donated in-kind contributions:** Donated in-kind contributions are reflected as revenue and expense at the donors' determination of fair market values.

Contributions of services are recognized only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of works of art, historical treasures and similar assets need not be recognized as revenues and capitalized if the donated items are added to collections held for public exhibition, education or research in furtherance of public service rather than financial gain and including cash and cash equivalents limited as to use.

**Cash and cash equivalents:** Cash and cash equivalents include bank accounts and investments with original maturities of three months or less.

## University of Illinois Alumni Association

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Investments:** Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position and unrealized gains and losses are reflected in the statement of activities. The realized gain or loss on the sale of a security is based upon the adjusted cost of the specific security. Interest and dividend income is shown net of investment fees for the years ended June 30, 2011 and 2010.

**Inventories:** Inventories are valued at the lower of cost or market and are principally comprised of resale merchandise promoting University loyalty and beverages for events held at the Alice Campbell Alumni Center. 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 under the Alumni Association's policy. 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 Alumni Association:

Equipment	5 years
Furniture and fixtures	5 - 20 years
Leasehold improvements and buildings	50 years

Included in capital assets is a licensing fee. The licensing fee carries a three year life with automatic renewal at no cost to the Alumni Association. The Alumni Association considers this asset to be an intangible asset with an indefinite useful life. As such, the asset is not amortized at June 30, 2011 and 2010.

**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.

**Income taxes:** The Alumni Association has a tax determination letter from the Internal Revenue Service stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes. As such, the Alumni Association is subject to federal income taxes only on any net unrelated business income under the provisions of Section 511 of the Code.

The Alumni Association adopted the guidance for accounting for uncertainty income taxes. This guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statement. The guidance prescribes a more-likely-than-not recognition threshold and measurement attribute for financial statement recognition of a tax position taken or expected to be taken. Amounts requiring recognition under the guidance are reflected as a liability for uncertain tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination. There were no uncertain tax benefits identified or recorded as a liability as of June 30, 2011.

Tax returns filed by the Alumni Association may be subject to examination by the Internal Revenue Service (IRS) up to three years from extended due date of each return. Tax returns filed through fiscal year 2007 are no longer subject to examination by the IRS.

## University of Illinois Alumni Association

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Recent accounting pronouncements:** In January 2010, the FASB issued an amendment, *Fair Value Measurements and Disclosures about Fair Value Measurements* (ASU 2010-6), which requires new disclosures and reasons for transfers of financial assets and liabilities between Levels 1 and 2. This amendment also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and disclosures about inputs and valuation techniques are required for both Level 2 and Level 3 measurements. With respect to matters other than Level 3 measurements, the amendment was effective and adopted for the period ended June 30, 2010, and it did not have a significant effect on the financial statements. The guidance related to Level 3 measurements is effective for the period ended June 30, 2012, and management does not believe it will have a significant effect on the financial statements.

In May 2011, the FASB issued an amendment to accounting guidance, "Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs" (ASU 2011-04). ASU 2011-04 amended ASC 820, "Fair Value Measurements and Disclosures," to converge the fair value measurement guidance in GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The Alumni Association is currently evaluating the effect that the provisions of ASU 2011-04 will have on the financial statements.

#### 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 University of Illinois support revenue is as follows for the years ended June 30, 2011 and 2010:

	2011	2010
Fringe benefits	\$ 774,500	\$ 772,800
Management and supervisory services	235,100	371,200
University employee salaries	2,284,600	2,465,800
Rent	1,072,200	1,069,000
Professional services	22,900	28,500
Total	<u>\$ 4,389,300</u>	<u>\$ 4,707,300</u>

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 \$772,800 and \$771,700 for the years ended June 30, 2011 and 2010, respectively) are included in the amounts shown as University of Illinois Support (revenue) and are distributed to the appropriate expenses on the statement of activities.

## University of Illinois Alumni Association

### Notes to Financial Statements

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#### Note 2. Transactions with Related Parties (Continued)

During the years ended June 30, 2011 and 2010, the following transactions between the Alumni Association, the University and the University of Illinois Foundation include the following:

- \$1,700 and \$1,100, respectively, was paid by the University for benefits in addition to the in-kind estimate above. The Alumni Association received \$235,100 and \$371,200, respectively, as partial reimbursement from the University for management and supervisory services.
- The Alumni Association managed and supervised University employees engaged in the maintenance of University alumni records, support of alumni relations activities, and preparation of alumni periodicals that are published by the Alumni Association. The salaries for these University employees (\$2,284,600 and \$2,465,800, respectively) are reflected in the statement of activities.
- 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 activities.
- The University provided office space to the Alumni Association at an annual rental of \$1,072,200 and \$1,069,000, respectively, as well as other professional services amounting to \$22,900 and \$28,500 in 2011 and 2010, respectively.
- 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 2011 and 2010.
- The Alumni Association received \$17,800 and \$216,600, respectively, from the University of Illinois Foundation to partially repay the credit line with the University of Illinois, relating to the construction of the Alice Campbell Alumni Center on the Urbana-Champaign campus. These funds were transferred directly from the University of Illinois Foundation to the University of Illinois on behalf of the Alumni Association.
- The Alumni Association contributed to the University of Illinois Foundation \$0 and \$150,000, respectively, for the Alice Campbell Center and \$8,900 and \$26,600, respectively, for other programs.
- The University of Illinois Foundation reimbursed the Alumni Association \$38,600 and \$49,800, respectively, for alumni relations events and for recognition of University contributors in its publications.
- The University of Illinois Foundation held a total of approximately \$23,100 and \$41,300 of contributions collected on behalf of the Alumni Association as of June 30, 2011 and 2010, respectively.
- The Alumni Association leases office 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 required monthly payments of \$9,100 and \$8,900, respectively. The monthly payments increase 3 percent each year through the end of the lease. UIC provides monthly rent supplements that keep the Alumni Association's share of the rent at \$4,300 per month, or \$51,000 per year, through the end of the lease.

## University of Illinois Alumni Association

### Notes to Financial Statements

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#### Note 3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of June 30, 2011 and 2010:

	2011	2010
Petty cash	\$ 900	\$ 900
Cash deposits	1,725,600	1,250,400
Money market funds	17,700	17,700
	<u>\$ 1,744,200</u>	<u>\$ 1,269,000</u>

#### Note 4. Investments

Investments as of June 30, 2011 and 2010 are as follows:

	2011	2010
Mutual Funds - equity	\$ 12,032,100	\$ 9,630,200
Mutual Funds - fixed income	3,602,300	3,384,100
	<u>15,634,400</u>	<u>13,014,300</u>
Limited Partnership	1,900	1,900
	<u>\$ 15,636,300</u>	<u>\$ 13,016,200</u>

During 2011 and 2010, the Alumni Association realized net gains of \$169,800 and \$1,117,100, respectively, 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 unrealized gain on investments held at year-end was \$2,662,200 and \$329,100 at June 30, 2011 and 2010, respectively.

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 2011, the target spending rate of 5 percent 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.

## University of Illinois Alumni Association

### Notes to Financial Statements

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#### Note 5. Fair Value Disclosures

**Fair value measurements:** The following information is designed to enable the reader of the financial statements to assess the inputs used to develop fair value measurement by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value are required to be classified and disclosed in one of the following three categories.

Fair value is defined in as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the standard establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 — Quoted prices (unadjusted) for identical assets or liabilities in active markets that the ability to access as of the measurement date.

Level 2 — Significant other observable inputs other than Level 1 such as quoted prices for similar asset or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

#### *Investment Securities*

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

**University of Illinois Alumni Association**

**Notes to Financial Statements**

**Note 5. Fair Value Disclosures (Continued)**

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2011 and 2010, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	Total	Level 1	Level 2	Level 3
	June 30, 2011			
Assets:				
Mutual funds:				
Large blend	\$ 8,765,700	\$ 8,765,700	\$ -	\$ -
Intermediate-term bond	3,602,300	3,602,300	-	-
Foreign large value	3,266,400	3,266,400	-	-
Other	1,900	1,900	-	-
	<u>\$ 15,636,300</u>	<u>\$ 15,636,300</u>	<u>\$ -</u>	<u>\$ -</u>

	Total	Level 1	Level 2	Level 3
	June 30, 2010			
Assets:				
Mutual funds:				
Large blend	\$ 6,611,500	\$ 6,611,500	\$ -	\$ -
Intermediate-term bond	3,384,100	3,384,100	-	-
Foreign large value	3,018,700	3,018,700	-	-
Other	1,900	1,900	-	-
	<u>\$ 13,016,200</u>	<u>\$ 13,016,200</u>	<u>\$ -</u>	<u>\$ -</u>

## University of Illinois Alumni Association

### Notes to Financial Statements

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#### Note 6. Capital Assets

Capital asset activity for the years ended June 30, 2011 and 2010 was comprised of the following:

	2011			
	Beginning Balance	Increases	Decreases	Ending Balance
Furniture and fixtures	\$ 123,400	\$ -	\$ -	\$ 123,400
Equipment	253,200	-	-	253,200
Leasehold improvements	9,400	-	-	9,400
Buildings	492,200	-	-	492,200
Total capital assets	878,200	-	-	878,200
Less accumulated depreciation	(328,900)	(66,500)	-	(395,400)
Net capital assets	549,300	(66,500)	-	482,800
Licensing fee	130,000	-	-	130,000
Total capital assets	\$ 679,300	\$ (66,500)	\$ -	\$ 612,800

	2010			
	Beginning Balance	Increases	Decreases	Ending Balance
Furniture and fixtures	\$ 123,400	\$ -	\$ -	\$ 123,400
Equipment	253,200	-	-	253,200
Leasehold improvements	9,400	-	-	9,400
Buildings	492,200	-	-	492,200
Total capital assets	878,200	-	-	878,200
Less accumulated depreciation	(258,400)	(70,500)	-	(328,900)
Net capital assets	619,800	(70,500)	-	549,300
Licensing fee	130,000	-	-	130,000
Total capital assets	\$ 749,800	\$ (70,500)	\$ -	\$ 679,300

#### Note 7. Life Memberships Receivable

Life Memberships Receivable represents the commitments made by alumni to become life members of the Alumni Association. The Alumni 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 discount factor, net of the allowance. The allowance for uncollectible life memberships was \$5,500 and \$16,300 at June 30, 2011 and 2010, respectively.

## University of Illinois Alumni Association

### Notes to Financial Statements

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#### Note 7. Life Memberships Receivable (Continued)

The scheduled commitments presented without discounting and discounted to net present value at June 30, 2011 is as follows:

	Total Receivable	Discounted Receivable	Discounted Receivable, Net of Allowance
Fiscal year ending June 30,			
2012	\$ 27,400	\$ 27,400	\$ 23,300
2013	6,400	6,300	5,200
2014	1,000	1,000	900
2015	700	600	500
2016	600	500	400
Total life memberships receivable	<u>\$ 36,100</u>	<u>\$ 35,800</u>	<u>\$ 30,300</u>

The Alumni Association changed its membership model effective July 1, 2008. Henceforth, all University of Illinois alumni and students are regarded as members of the University of Illinois Alumni Association. Faculty, staff, parents of students and friends of the University may become members, upon request, by contacting the Alumni Association. Previously, membership was extended only to those who had contributed. Members are encouraged to contribute financially to the Alumni Association and in return achieve specified recognition levels. Joint membership and gift credit is accorded to spouses or life partners, upon request. The University of Illinois and the University of Illinois Foundation now recognize gifts to the Alumni Association's membership program for University and Foundation gift and recognition levels. Management believes that this model creates a more inclusive environment for alumni and others to engage with the Alumni Association. All membership fees of \$760,600 and \$719,900 for fiscal year 2011 and 2010, respectively, represented the changed membership model.

#### Note 8. Affinity Programs

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

#### Note 9. Retirement Plan and Post-Employment Benefits

The Alumni Association contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at [www.SURS.org](http://www.SURS.org), or calling (800) 275-7877.

## University of Illinois Alumni Association

### Notes to Financial Statements

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#### Note 9. Retirement Plan and Post-Employment Benefits (Continued)

Plan members are required to contribute 8.0 percent 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 rates for the years ended June 30, 2011 and 2010 are 21.27 and 18.61 percent, respectively, 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 ended June 30, 2011 and 2010 were \$79,600 and \$82,800, 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. 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.

#### Note 10. Lease Commitments

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

2012	\$	51,000
2013		51,000
2014		51,000
2015		51,000
Total	\$	<u>204,000</u>

Minimum lease payments exclude rentals under renewal options, which, as of June 30, 2011, are not reasonably assured of being exercised.

Total lease expense for the years ended June 30, 2011 and 2010, was \$56,000 and \$58,000, respectively.

## University of Illinois Alumni Association

### Notes to Financial Statements

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#### Note 11. Line of Credit

The Alumni Association established a line of credit with the University of Illinois as of June 30, 2004, for up to \$10,000,000 as defined in the University of Illinois internal loan agreement with the Alumni Association. The line of credit was made available to finance the construction of the Alice Campbell Alumni Center completed and occupied during 2006. Amounts drawn against the line of credit are repayable as funds are received from Alumni Center donors and from affinity program distributions. In November 2009, the Alumni Association entered into a new internal loan agreement with the University that replaced the original line of credit from 2004. The new loan agreement bears interest at the University-wide institutional money market rate utilized by the operating funds pool from April 1 to March 31, determined at the beginning of each year (2.2 percent at June 30, 2011). Final payment is due November 1, 2012. The outstanding credit line balance as of June 30, 2011 and 2010 was \$950,500 and \$1,218,400, respectively. Interest expense incurred on the credit line was \$24,900 and \$44,000 during the years ended June 30, 2011 and 2010, respectively.

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

Year ending June 30,	Payment Due
2012	\$ 250,000
2013	700,500
	<u>\$ 950,500</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. The facility was completed and has been occupied since April 2006. The total project cost was \$16,800,000. Donors have made contributions, pledges and bequests to the Foundation for this project in the amount of \$15,900,000 as of June 30, 2011 and 2010. In addition, during the years ended 2011 and 2010, \$5,690,000 and \$5,415,000, respectively, was provided by the Alumni Association from credit card affinity revenues held for construction of the building, and \$950,500 and \$1,218,400, respectively, was provided from borrowing against the line of credit (see Note 11) held with the University of Illinois. The remaining pledges and bequests will be paid to the Alumni Association by the Foundation and will first be used to pay down the line of credit, then to replenish the funds used by the Alumni Association for construction of the building. Ownership of the building, land and a portion of the furnishings belong to the University.

## University of Illinois Alumni Association

### Notes to Financial Statements

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#### Note 13. Functional Expenses

The schedule of expenses by function for the years ended June 30, 2011 and 2010 is presented below.

	2011	2010
Program services:		
Communications	\$ 1,149,900	\$ 1,171,400
Information services	1,375,700	1,400,700
Alumni outreach programs	2,663,700	2,808,000
Depreciation	7,800	7,900
Support services:		
Membership promotion	587,000	557,100
General and operating	2,060,900	2,364,800
Depreciation	58,700	62,600
Total operating expenses	<u>\$ 7,903,700</u>	<u>\$ 8,372,500</u>

#### Note 14. Subsequent Events

All of the effects of subsequent events that provide additional evidence about conditions that existed at the financial statement date, including the estimates inherent in the process of preparing the financial statements, are recognized in the financial statements. The Alumni Association does not recognize subsequent events that provide evidence about conditions that did not exist at the financial statement date but arose after, but before the financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the financial statements from being misleading.

The Alumni Association has evaluated all subsequent events for potential recognition and/or disclosure through October 28, 2011, which is the date the financial statements were available to be issued.