UNIVERSITY OF ILLINOIS
ALUMNI ASSOCIATION

Building Relationships for Life

Financial Statements

Year Ended June 30, 2016

with

Independent Auditor's Report

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Independent Auditor's Report

RSM US LLP

To the Board of Directors
University of Illinois Alumni Association

Report on the Financial Statements
We have audited the accompanying financial statements 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, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, (collectively, financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Illinois Alumni Association as of June 30, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Champaign, Illinois
September 29, 2016

University of Illinois Alumni Association

Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,061,600**	$ 1,843,800
Accounts receivable - University of Illinois	**5,100**	778,700
Accounts receivable - other	**339,000**	46,500
Life memberships receivable, net of discounts and allowances of $200, 2016 and 2015	**2,000**	3,300
Inventories	**3,400**	3,700
Prepaid expenses	**81,800**	133,700
Total current assets	**1,492,900**	2,809,700
Noncurrent assets:		
Investments	**14,065,000**	15,759,900
Life memberships receivable, net of discounts and allowances of $0, 2016 and $200, 2015	**800**	2,600
Other assets	**59,300**	59,300
Capital assets, net of depreciation	**884,100**	604,500
	15,009,200	16,426,300
	$ 16,502,100	$ 19,236,000
Liabilities and Net Assets		
Current liabilities:		
Accounts payable - University of Illinois	**$ 562,500**	$ 219,000
Accounts payable - other	**53,800**	159,200
Accrued liabilities	**205,800**	265,800
Deferred revenues, current	**26,300**	20,800
Total current liabilities	**848,400**	664,800
Noncurrent liabilities:		
Deferred revenues	**8,600**	8,600
	857,000	673,400
Net assets:		
Unrestricted	**1,504,100**	1,504,100
Unrestricted, board designated	**14,141,000**	17,058,500
Total net assets	**15,645,100**	18,562,600
Total liabilities and net assets	**$ 16,502,100**	$ 19,236,000

See notes to financial statements.

University of Illinois Alumni Association

Statements of Activities
Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Membership fees	**$ 335,500**	$ 735,300
University of Illinois support, including benefits	**2,480,800**	4,283,700
Affinity programs	**1,165,400**	1,038,100
Other revenues	**577,200**	722,500
Total operating revenues	**4,558,900**	6,779,600
Operating expenses:		
Communications	**1,079,600**	1,065,700
Information services	**1,370,000**	1,442,300
Membership promotion	**210,000**	356,200
Alumni outreach programs	**2,339,100**	2,803,800
General and operating	**2,293,500**	2,214,800
Total operating expenses	**7,292,200**	7,882,800
Operating loss	**(2,733,300)**	(1,103,200)
Nonoperating revenues:		
Investment income, net	**237,200**	305,800
Contributions	**58,900**	3,600
Realized and unrealized gains (losses) on investments, net	**(480,300)**	136,600
Net nonoperating revenues	**(184,200)**	446,000
Decrease in net assets	**(2,917,500)**	(657,200)
Net assets:		
Beginning	**18,562,600**	19,219,800
Ending	**$ 15,645,100**	$ 18,562,600

See notes to financial statements.

University of Illinois Alumni Association

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Membership fees	**$ 348,800**	$ 742,100
University of Illinois support	**680,000**	668,500
Affinity programs	**1,165,400**	919,300
Other revenues	**323,500**	746,700
Payments to vendors	**(2,191,600)**	(2,130,800)
Payments for salaries	**(1,609,700)**	(1,417,900)
Payments to University of Illinois	**(699,800)**	(920,300)
Net cash used in operating activities	**(1,983,400)**	(1,392,400)
Cash flows from investing activities:		
Interest and dividends from investments	**237,200**	305,800
Dividends reinvested	**(235,400)**	(304,000)
Proceeds from sale of investments	**1,450,000**	2,600,000
Purchase of capital assets	**(309,500)**	(64,500)
Net cash provided by investing activities	**1,142,300**	2,537,300
Cash flows from financing activities:		
Contributions	**58,900**	-
Net cash provided by financing activities	**58,900**	-
Net (decrease) increase in cash and cash equivalents	**(782,200)**	1,144,900
Cash and cash equivalents:		
Beginning	**1,843,800**	698,900
Ending	**$ 1,061,600**	$ 1,843,800

(Continued)

University of Illinois Alumni Association

Statements of Cash Flows (Continued)
Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	**$ (2,733,300)**	$ (1,103,200)
Depreciation	**29,900**	31,100
Account receivable written off	**50,100**	-
Effects of changes in assets and liabilities:		
Membership receivables, net	**3,100**	4,600
Other receivables, net	**(292,500)**	14,100
Accounts receivable - University of Illinois, net	**723,500**	(248,200)
Inventories	**300**	700
Prepaid expenses	**51,900**	(22,600)
Other assets	**-**	2,000
Accounts payable	**238,100**	31,400
Accrued liabilities	**(60,000)**	8,100
Deferred revenues	**5,500**	(110,400)
Net cash used in operating activities	**$ (1,983,400)**	$ (1,392,400)
Supplemental disclosures of cash flow information:		
On-behalf payment of fringe benefits	**$ 538,900**	$ 638,600
University - paid salaries	**$ 1,372,400**	$ 1,672,800
University - paid operating expenses	**$ 1,046,100**	$ 1,053,700

See notes to financial statements.

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 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.

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 statements of financial position and unrealized gains and losses are reflected in the statements 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, 2016 and 2015.

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:

Capital Assets	
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, 2016 and 2015.

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.

Deferred revenues: Deferred revenues represents revenues collected but not earned as of the fiscal year end. Deferred revenues are primarily composed of revenue related to affinity programs.

Income taxes: The Alumni Association has a tax determination letter from the Internal Revenue Service (IRS) 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 in 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.

Tax returns filed by the Alumni Association may be subject to examination by the IRS up to three years from extended due date of each return. Tax returns filed through fiscal year 2012 are no longer subject to examination by the IRS.

Note 1. Summary of Significant Accounting Policies (Continued)

Pending accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Alumni Association has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance amends the requirements for financial statements and notes presented by a not-for-profit entity to a) present on the face of the statements of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes; b) present on the face of the statement of activities the amount of the change in either of the two classes of net assets rather than that of the currently required three classes; c) provide enhanced disclosures in the notes to the financial statements; d) report investment return net of external and direct internal investment expenses; and e) utilize, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The ASU will be effective for the Alumni Association's June 30, 2019 financial statements. Early application is permitted. Retrospective application is required for many provisions of this guidance. The Alumni Association is currently evaluating the effect of the new standard on the financial statements.

Note 2. Transactions with Related Parties

The Alumni Association enters into an annual contract with the University, 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 2016 annual contract with the University contained language that stated the amount of support provided to the Alumni Association by the University was contingent upon the University receiving funding provided by the fiscal year 2016 State of Illinois budget. In June 2016, the University informed the Alumni Association that the amount of 2016 support had been reduced by $1,043,600, citing lack of funding from the State of Illinois. The adjusted support amount was less than University employee salaries and other University-paid expenses that had previously been provided and expensed in 2016. As a result, there was a payable to the University of $476,600 at June 30, 2016. The payable is included with other routine accounts payable balances in Accounts payable – University of Illinois on the statements of financial position.

Note 2. Transactions with Related Parties (Continued)

University support revenue is as follows for the years ended June 30, 2016 and 2015:

	2016	2015
Fringe benefits	$ 538,900	$ 638,600
Management and supervisory services	26,000	867,600
University employee salaries	1,372,400	1,672,800
Rent	999,400	1,084,600
Professional services	20,700	20,100
Subtotal	2,957,400	4,283,700
Less: amount owed to University after support rescission	(476,600)	-
Total	$ 2,480,800	$ 4,283,700

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 $535,500 and $637,800 for the years ended June 30, 2016 and 2015, respectively) are included in the amounts shown as University of Illinois support (revenue) and are distributed to the appropriate expenses on the statements of activities.

During the years ended June 30, 2016 and 2015, the following transactions between the Alumni Association, the University and the University of Illinois Foundation (Foundation) include the following:

- $3,400 and $800, respectively, was paid by the University for benefits in addition to the in-kind estimate above. The Alumni Association received $26,000 and $867,600, 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 ($1,372,400 and $1,672,800, respectively) are reflected in the statements 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 statements of activities.

- The University provided office space to the Alumni Association at an annual rental of $999,400 and $1,084,600, respectively, as well as other professional services amounting to $20,700 and $20,100, 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 2016 and 2015.

- The Foundation reimbursed the Alumni Association $29,600 and $43,400, respectively, for alumni relations' events and for recognition of University contributors in its publications.

Note 2. Transactions with Related Parties (Continued)

- The Foundation held a total of approximately $25,300 and $35,500 of contributions collected on behalf of the Alumni Association as of June 30, 2016 and 2015, respectively.

- The Alumni Association leased office space on the fifth floor of the University of Illinois at Chicago (UIC) Student Center East through June 30, 2015. The lease term was effective from March 1, 2006 through June 30, 2015. The lease required monthly payments of $10,000 for each year ended June 30. The monthly payments increased 3 percent each year through the end of the lease. UIC provided monthly rent supplements that kept the Alumni Association share of the rent at $51,000 per year, through the end of the lease. The lease was not renewed beyond June 30, 2015.

- The Alumni Association leases office space on the nineteenth floor of the Illini Center in downtown Chicago. The lease term is effective from March 1, 2016 through February 28, 2026. The lease requires monthly payments of $5,500. The lease payments increase 2.5 percent each year through the end of the lease, beginning July 1, 2016.

Note 3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of June 30, 2016 and 2015:

	2016	2015
Petty cash	$ 900	$ 900
Cash deposits	1,043,000	1,825,200
Money market funds	17,700	17,700
	$ 1,061,600	$ 1,843,800

Note 4. Investments

Investments as of June 30, 2016 and 2015 are as follows:

	2016	2015
Mutual Funds - equity	$ 10,362,400	$ 11,884,100
Mutual Funds - fixed income	3,702,600	3,875,800
	$ 14,065,000	$ 15,759,900

During 2016 and 2015, the Alumni Association realized net gains of $589,100 and $1,913,300, 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 loss on investments held at year-end was $1,069,400 and $1,776,700 at June 30, 2016 and 2015, respectively.

Note 4. Investments (Continued)

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 2016, the target spending rate of 6 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.

Note 5. Fair Value Disclosures

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. FASB ASC 820 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 developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about 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, FASB ASC 820 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 entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets 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.

Note 5. Fair Value Disclosures (Continued)

The following tables summarize assets measured at fair value on a recurring basis as of June 30, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds:				
Large blend	$ 8,380,000	$ 8,380,000	$ -	$ -
Intermediate-term bond	3,702,600	3,702,600	-	-
Foreign large value	1,982,400	1,982,400	-	-
	$ 14,065,000	$ 14,065,000	$ -	$ -

	June 30, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds:				
Large blend	$ 9,443,700	$ 9,443,700	$ -	$ -
Intermediate-term bond	3,875,800	3,875,800	-	-
Foreign large value	2,440,400	2,440,400	-	-
	$ 15,759,900	$ 15,759,900	$ -	$ -

Note 6. Capital Assets

Capital asset activity for the years ended June 30, 2016 and 2015 was comprised of the following:

	2016			
	Beginning Balance	Increases	Decreases	Ending Balance
Furniture and fixtures	$ 123,400	$ -	$ -	$ 123,400
Equipment	314,400	-	-	314,400
Leasehold improvements	9,400	-	-	9,400
Buildings	492,200	-	-	492,200
Construction in progress	64,500	309,500	-	374,000
Total capital assets	1,003,900	309,500	-	1,313,400
Less accumulated depreciation	(529,400)	(29,900)	-	(559,300)
Net capital assets	474,500	279,600	-	754,100
Licensing fee	130,000	-	-	130,000
Total capital assets	$ 604,500	$ 279,600	$ -	$ 884,100

	2015			
	Beginning Balance	Increases	Decreases	Ending Balance
Furniture and fixtures	$ 123,400	$ -	$ -	$ 123,400
Equipment	314,400	-	-	314,400
Leasehold improvements	9,400	-	-	9,400
Buildings	492,200	-	-	492,200
Construction in progress	-	64,500	-	64,500
Total capital assets	939,400	64,500	-	1,003,900
Less accumulated depreciation	(498,300)	(31,100)	-	(529,400)
Net capital assets	441,100	33,400	-	474,500
Licensing fee	130,000	-	-	130,000
Total capital assets	$ 571,100	$ 33,400	$ -	$ 604,500

Note 7. Life Memberships Receivable

Life memberships receivable represents the commitments made by the 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 $200 and $400 at June 30, 2016 and 2015, respectively.

The scheduled commitments presented without discounting and discounted to net present value at June 30, 2016 is as follows:

	Total Receivable	Discounted Receivable	Discounted Receivable, Net of Allowance
Fiscal year ending June 30,			
2017	$ 2,200	$ 2,200	$ 2,000
2018	600	600	600
2019	200	200	200
Total life memberships receivable	$ 3,000	$ 3,000	$ 2,800

The Alumni Association changed its membership model effective July 1, 2008. Henceforth, all University 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 and the 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 the alumni and others to engage with the Alumni Association. All membership fees of $335,500 and $735,300 for fiscal years 2016 and 2015, respectively, represent 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, or calling (800) 275-7877.

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 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, 2016 and 2015 were $129,500 and $113,500, 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.

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 2026. Total lease expense for the years ended June 30, 2016 and 2015, was $73,100 and $65,800, respectively. Future minimum lease payments under these leases are as follows:

Year Ending June 30,		
2017	$	67,300
2018		69,000
2019		70,800
2020		72,500
2021		74,300
Thereafter		400,500
	$	754,400

Minimum lease payments exclude rentals under renewal options, which, as of June 30, 2016, are not reasonably assured of being exercised.

Note 11. 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 made contributions, pledges and bequests to the Foundation for the project in the amount of $15,900,000. Outstanding pledges and bequests will be paid to the Alumni Association by the Foundation and will replenish the funds used by the Alumni Association for construction of the building. The Alumni Association may in the future be the recipient of amounts under certain deferred giving programs entered into by individuals with the Foundation. Such potential future receipts are not recorded herein. Ownership of the building, land and a portion of the furnishings belong to the University.

In June 2015, the Alumni Association began design work on a Welcome Center project that would eventually occupy the first two floors of the Alice Campbell Alumni Center. The total project cost is approximately $4.0 million, of which $58,900 had been raised as of June 30, 2016. The mission of the Welcome Center is to present information to alumni, students and other visitors about the University’s rich heritage and contributions to society through visual displays as well as print and electronic media. Amenities will include museum-quality exhibits, a café, campus tours and spaces to meet, study and hold events. Funding for the Welcome Center will consist of donor contributions, pledges and bequests received by the University of Illinois Foundation and designated for the Welcome Center. Design costs to date are capitalized in the construction in progress account on the statements of financial position (see Note 6). In July 2016, with the exception of fundraising and continuing work to capture artifacts and oral histories, the Welcome Center project was temporarily suspended due to budgetary considerations.

Note 12. Functional Expenses

The schedule of expenses by function for the years ended June 30, 2016 and 2015 is presented below.

	2016	2015
Program services:		
Communications	$ 1,079,600	$ 1,065,700
Information services	1,357,800	1,430,000
Alumni outreach programs	2,339,100	2,803,800
Depreciation	12,200	12,300
Support services:		
Membership promotion	210,000	356,200
General and operating	2,275,800	2,196,000
Depreciation	17,700	18,800
Total operating expenses	$ 7,292,200	$ 7,882,800

Note 13. 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 September 29, 2016, which is the date the financial statements were available to be issued.