

State of Illinois
Illinois Arts Council
Foundation

Financial Audit and Compliance Examination
For the Two Years Ended June 30, 2005
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

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STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

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STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2005

AGENCY OFFICIALS

ILLINOIS ARTS COUNCIL FOUNDATION

Executive Director (3/1/05 to Current)	Mr. Terry Scrogum
Acting Interim Executive Director (7/1/03 to 2/28/05)	Mr. Richard Carlson
Chief Fiscal Officer	Ms. Yazoo Hall

Agency Offices are located at:

James R. Thompson Center
100 West Randolph
Suite 10-500
Chicago, IL 60601-3298

Illinois Arts Council Foundation

De Raimo Hillger & Ripp
Certified Public Accountants
655 N. LaGrange Rd. – Suite 102
Frankfort, IL 60423

October 14, 2005

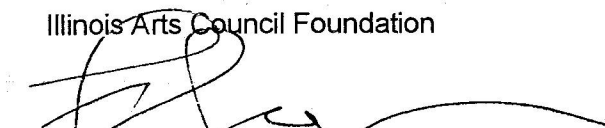
Ladies and Gentlemen:

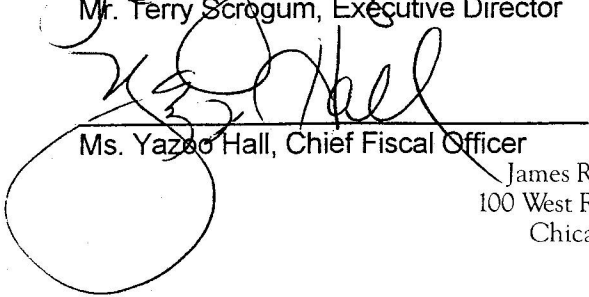
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Foundation. We are responsible for and we have established and maintained an effective system of internal controls 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, 2005. Based on this evaluation, we assert that during the years ended June 30, 2004 and June 30, 2005, the Foundation has materially complied with the assertions below.

- A. The Foundation has obligated, expended, received and used public funds of the State 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 public funds of the State 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, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State 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 on behalf of the State 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,

Illinois Arts Council Foundation


Mr. Terry Scrogum, Executive Director


Ms. Yazoo Hall, Chief Fiscal Officer

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James R. Thompson Center
100 West Randolph, Suite 10-500
Chicago, Illinois 60601

312/814-6750

STATE OF ILLINOIS
 ILLINOIS ARTS COUNCIL FOUNDATION
 FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
 FOR THE TWO YEARS ENDED JUNE 30, 2005

COMPLIANCE REPORT
SUMMARY

The compliance testing performed in this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITORS' REPORTS

The Independent Accountants' Report on State Compliance, on internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

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

SUMMARY OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
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FINDINGS (STATE COMPLIANCE)

None

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

05-1	11	Lack of Adequate Collateral Securing Bank Deposits
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STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2005

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on December 12, 2005. Attending were:

For the Illinois Arts Council Foundation –

Terry Scrogum
Yazoo Hall
Eliud Hernandez

Executive Director
Chief Fiscal Officer
Deputy Director

For De Raimo Hillger & Ripp –

Robert J. Ripp
Elias Valaveris

Partner
Auditor

For the Office of the Auditor General –

Kevin Carhill

Audit Manager

Responses to the recommendations were provided by Yazoo Hall, Chief Fiscal Officer, in a letter dated December 20, 2005.

DE RAIMO HILLGER & RIPP

Certified Public Accountants & Business Consultants

655 N. La Grange Road • Suite 102 • Frankfort, IL 60423-1347 • Telephone: (815) 469-7500 • Facsimile: (815) 469-6970

JOHN J. DE RAIMO
FERNE M. HILLGER
ROBERT J. RIPP

INDEPENDENT ACCOUNTANTS' 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

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Arts Council Foundation's 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 two years ended June 30, 2005. The management of the State of Illinois, Illinois Arts Council Foundation is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Arts Council Foundation's compliance based on our examination.

- A. The State of Illinois, Illinois Arts Council Foundation has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Illinois Arts Council Foundation has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Illinois Arts Council Foundation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the State of Illinois, Illinois Arts Council 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 State of Illinois, Illinois Arts Council Foundation on behalf of the State or held in trust by the State of Illinois Arts Council Foundation have been properly

and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted 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 State of Illinois, Illinois Arts Council Foundation's compliance with those requirements 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 Illinois Arts Council Foundation's compliance with specified requirements.

In our opinion, the State of Illinois, Illinois Arts Council Foundation complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2005. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the State of Illinois, Illinois Arts Council Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the State of Illinois, Illinois Arts Council Foundation's internal control over compliance with the aforementioned requirements 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.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. As required by the Audit Guide, immaterial findings relating to internal control deficiencies 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 financial statements of the Illinois Arts Council Restricted Fund as of and for the two years ended June 30, 2005, which collectively comprise the Illinois Arts Council Foundation's basic financial statements, and have issued our report thereon dated October 14, 2005. 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 Illinois Arts Council Foundation. The 2005 and 2004 Supplementary Information for State Compliance Purposes, 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 for the years ended June 30, 2005 and 2004, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Illinois Arts Council Foundation's basic financial statements for the year ended June 30, 2003. In our report dated October 16, 2003, we expressed unqualified opinions on the respective financial statements of the Illinois Arts Council Restricted Fund. In our opinion, the 2003 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, 2003, 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, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

De Raimo Hillger & Ripp

October 14, 2005

DE RAIMO HILLGER & RIPP

Certified Public Accountants & Business Consultants

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JOHN J. DE RAIMO
FERNE M. HILLGER
ROBERT J. RIPP

**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

As Special Assistant Auditors for the Auditor General, we have audited the Illinois Arts Council Restricted Fund of the State of Illinois, Illinois Arts Council Foundation, as of and for the years ended June 30, 2005 and June 30, 2004, and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Illinois, Illinois Arts Council Foundation's internal control over financial reporting of the Illinois Arts Council Restricted Fund in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the Illinois Arts Council Restricted Fund's financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Arts Council 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*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the State of Illinois, Illinois Arts Council Foundation in a separate letter dated October 14, 2005.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management and is not intended to be and should not be used by anyone other than these specified parties.

De Raimo Hillger & Ripp

October 14, 2005

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2005

FINDINGS – STATE COMPLIANCE

There were no current findings noted during the Financial Audit and Compliance Examination for the Two Years Ended June 30, 2005.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2005

PRIOR FINDINGS NOT REPEATED – STATE

05-1 Lack of Adequate Collateral Securing Bank Deposits

The Illinois Arts Council Foundation maintained bank balances in excess of FDIC limits.

Disposition:

During our testing, we noted that FDIC limits were not exceeded as of June 30, 2005 and June 30, 2004.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
JUNE 30, 2005

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois Arts Council Foundation was performed by De Raimo Hillger & Ripp, CPAs.

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

DE RAIMO HILLGER & RIPP

Certified Public Accountants & Business Consultants

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JOHN J. DE RAIMO
FERNE M. HILLGER
ROBERT J. RIPP

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Illinois Arts Council Restricted Fund of the Illinois Arts Council Foundation, as of and for the years ended June 30, 2005 and June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Illinois Arts Council Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements present only the Illinois Arts Council Restricted Fund and do not purport to, and do not, present fairly the financial position of the Illinois Arts Council Foundation as of June 30, 2005 and June 30, 2004, and its changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Restricted Fund of the Illinois Arts Council Foundation, as of June 30, 2005 and June 30, 2004, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2005 on our consideration of the Illinois Arts Council Foundation's internal control over financial reporting of Illinois Arts Council Restricted Fund and on our tests of the Illinois Arts Council Foundation's compliance with certain provisions of laws, regulations, contracts and, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Illinois Arts Council Foundation has not presented a management's discussion and analysis and budgetary comparison information for the Illinois Arts Council Restricted Fund that accounting principles generally accepted in the United State of America has determined is necessary to supplement, although not required to be part of, the financial statements.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

De Raimo Hillger & Ripp

October 14, 2005

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
RESTRICTED FUND
BALANCE SHEETS
TWO YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Assets:		
Cash and Cash Equivalents	<u>\$ 73,624</u>	<u>\$ 71,980</u>
Total Assets	<u><u>\$ 73,624</u></u>	<u><u>\$ 71,980</u></u>
 Liabilities:		
Deferred Revenues	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>
 Fund Balances/Net Assets:		
Unrestricted Net Assets	<u>73,624</u>	<u>71,980</u>
Total Fund Balances/Net Assets	<u>73,624</u>	<u>71,980</u>
Total Liabilities and Fund Balances	<u><u>\$ 73,624</u></u>	<u><u>\$ 71,980</u></u>

The accompanying notes are an integral part of these financial statements.

ILLINOIS ARTS COUNCIL FOUNDATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE TWO YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
Contributions	\$ 2,570	\$ -
Artist Registry	675	1,375
Interest Income	584	950
Miscellaneous Income	-	34
	<u>3,829</u>	<u>2,359</u>
Expenditures:		
Commodities	207	4,595
Contractual Services	1,950	1,070
Conference & Meeting Expenses	-	59
Miscellaneous Expense	28	57
Contributions	-	135
Sidney R. Yates Award	-	1,000
Program Expenditures:		
International Programs	-	166,641
	<u>2,185</u>	<u>173,557</u>
Excess of Revenues over (under) Expenditures	1,644	(171,198)
Fund Balances, beginning of year	<u>71,980</u>	<u>243,178</u>
Fund Balances, end of year	<u><u>\$ 73,624</u></u>	<u><u>\$ 71,980</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 1 – DESCRIPTION OF FUNDS

The Illinois Arts Council Foundation (Foundation) was incorporated in Illinois on May 8, 1967 as a not-for-profit corporation. The Foundation was organized to receive contributions from individuals and organizations to further charitable, literary and educational purposes in the way of grants. The Foundation is a locally held nonshared Governmental Fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the individual nonshared governmental funds administered by the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

a. Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government

Based upon the required criteria, the Foundation has no component units. However, because the individual nonshared governmental funds are not legally separate from the State of Illinois, they are included in the financial statements of the State as governmental funds. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (continued)

The financial statements present only the Restricted Fund administered by the State of Illinois Arts Council Foundation and do not purport to, and do not, present fairly the financial position of the State of Illinois Arts Council Foundation as of June 30, 2005, and its changes in financial position and cash flow, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

b. Basis of Presentation

In government, the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. A balance sheet and statement of revenues, expenditures and changes in fund balance has been presented for the individual nonshared governmental fund administered by the Foundation.

c. Basis of Accounting

The individual nonshared governmental fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are both measurable and available. Nonexchange transactions, in which the Foundation gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants, entitlements and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met and the resources are available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Accounting (continued)

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgements and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources of the individual nonshared governmental fund, which are considered to be measurable and available only when cash is received, include grants from federal and state governments.

d. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in banks, as well as certificates of deposit held in the bank in the name of Illinois Arts Council Foundation.

e. Fund Balances

The individual nonshared governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by the outside parties for use for specific purpose. Designations of fund balances represent tentative State plans that are subject to change.

f. Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 3 – DEPOSITS AND INVESTMENTS

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. The Foundation independently manages cash and cash equivalents maintained outside the State Treasury.

Cash on deposit for locally held funds at June 30, 2005 and June 30, 2004 were as follows:

June 30, 2005:

Fund	Carrying Amount	Bank Balance	Description
Bank One – Checking	\$ 3,249	\$ 3,249	Insured (FDIC)
LaSalle Bank – Savings	8,451	8,451	Insured (FDIC)
LaSalle Bank – Certificates of Deposit	<u>61,924</u>	<u>62,240</u>	Insured (FDIC)
	<u>\$ 73,624</u>	<u>\$ 73,940</u>	

June 30, 2004:

Fund	Carrying Amount	Bank Balance	Description
Bank One – Checking	\$ 2,189	\$ 2,189	Insured (FDIC)
LaSalle Bank – Savings	8,451	8,451	Insured (FDIC)
LaSalle Bank – Certificates of Deposit	<u>61,340</u>	<u>62,240</u>	Insured (FDIC)
	<u>\$ 71,980</u>	<u>\$ 72,880</u>	

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 4 – RELATED PARTY TRANSACTIONS

The Foundation is a separate entity from the Illinois Arts Council (Council). However, the Council has agreed to provide office space, employees and equipment that enable the Foundation to conduct business activities normally.

The Foundation and Council are accounted for separately, and no funds are transferred between the two organizations.

The Foundation and the Council share a common Board of Directors.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

- Fiscal Schedules and Analysis:
 - Comparative Schedule of Receipts, Disbursements and Fund Balances (Cash Basis) – Locally Held Funds

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

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited", on which they express no opinion, it is fairly stated that in all material respects in relation to the basic financial statements taken as a whole.

STATE OF ILLINOIS
 ILLINOIS ARTS COUNCIL FOUNDATION
 FINANCIAL RELATED SCHEDULES
 FOR THE TWO YEARS ENDED JUNE 30,

COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
(CASH BASIS) - LOCALLY-HELD FUNDS

	<u>2005</u>	<u>2004</u>
Beginning balance of cash and certificates of deposits	\$ 71,980	\$ 243,178
Total funds received during the fiscal year	3,829	2,359
Total funds disbursed during the fiscal year	<u>2,185</u>	<u>173,557</u>
Ending balance of cash and certificates of deposits	<u>\$ 73,624</u>	<u>\$ 71,980</u>

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
TWO YEARS ENDED JUNE 30, 2005

AGENCY FUNCTIONS AND PLANNING PROGRAM

Agency Functions

The Illinois Arts Council Foundation (Foundation) was incorporated in 1967 as a not-for-profit corporation. The Foundation serves the Illinois Arts Council (Council) constituency by augmenting limited state funds for the purpose of arts awareness.

The primary function of the Foundation is to distribute contributions received in the form of grants to increase the awareness of Council's programs and services through publications, public forms, promotional activities and events.

Agency Planning Program

The Foundation utilizes the same formal planning program as the Council documented in their Strategic Plan 2001-2006. The Council and Foundation share board members. These board members meet periodically, and actively plan all aspects of the Foundation. The current members are:

- Shirley R. Madigan (Chairman)
- Rhoda A. Pierce (Vice Chairman)
- Andy Van Meter (Secretary)
- Ralph Arnold
- William E. Brattain
- Christina Kemper Gidwitz
- Ruth Homer Mahru
- Harper Montgomery
- Elaine C. Muchin
- Virginia G. Bobins
- Patrice Bugelas-Brandt
- Jodie Shagrin Kavensky
- Margaret Mell
- Barry E. Moore
- Sheila M. O'Brien
- Charles E. Box
- Jennifer Levine
- David S. Logan
- Peggy A. Montes
- Constance Mortell
- Sheila Simon

AVERAGE NUMBER OF EMPLOYEES

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Average number of employees	0	0	0

Note: The administration and staff of all Foundation activity is performed by employees of the Council.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
TWO YEARS ENDED JUNE 30, 2005

ANALYSIS OF OPERATIONS

Emergency Purchases

No emergency purchases were reported by the Illinois Arts Council Foundation to the Office of the Auditor General during the examination period.

Illinois First Projects

According to Agency officials, there were no Illinois First Projects involving the Illinois Arts Council Foundation during the examination period.

Service Efforts and Accomplishments (Unaudited)

The Illinois Arts Council Foundation (Foundation) promotes the arts internationally to individuals and organizations. The Foundation funds various types of arts such as performing, communication, visual, ethnic, and other special arts.

The following activity and performance statistics were furnished by Foundation personnel and are unaudited:

	<u>FY 05</u>	<u>FY 04</u>	<u>FY 03</u>
Grant applications received	0	32	56
Grants (in thousands)	\$ 0	\$166	\$391