

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
(In Accordance with the Single Audit Act and OMB Circular A-133)

For The Year Ended June 30, 2007

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

Kyle E. McGinnis
Certified Public Accountant
200 East Pine
Springfield, Illinois 62704

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

(In Accordance with the Single Audit Act and OMB Circular A-133)

For The Year Ended June 30, 2007

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(A Component Unit of the State of Illinois)

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

(In Accordance with the Single Audit Act
and OMB Circular A-133)

For The Year Ended June 30, 2007

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FOUNDATION OFFICIALS

ILLINOIS CONSERVATION FOUNDATION

Board of Directors:

Flood, Sam – Appointment designated by statute - Chairman

Ducey, Barbara - Appointed by Senator Jones - Secretary

Russell, Robert Dr. – Appointed by Senator Philip - Treasurer

Swope, Larry - Appointed by Representative Madigan

Clark, Mark - Appointed by Governor Blagojevich

Keck, Fred - Appointed by Senator Philip

Kidd, John Jr. - Appointed by Senator Jones

Newton, Larry - Appointed by Representative Cross

Lyons, Arthur - Appointed by Representative Daniels

Presbrey, Kim - Appointed by Governor Blagojevich

Rodeen, Gerald - Appointed by Governor Blagojevich

Wren, Richard T. Jr. - Appointed by Governor Blagojevich

Each director shall hold office until a successor has been appointed.

Committees were as follows:

Executive Committee

Flood, Sam – Chairman of the Board

Ducey, Barbara

Russell, Robert Dr.

Wren, Richard T. Jr.

Development Committee

Vacant - Chairman

Kidd, John Jr.

Lyons, Arthur

Rodeen, Gerald

Finance & Endowment Committee

Russell, Robert Dr. – Chairman

Keck, Fred

Lyons, Arthur

Special Events Committee

Presbrey, Kim - Chairman

Keck, Fred

Clark, Mark

Kidd, John Jr.

Strategic Planning Committee

Rodeen, Gerald Chairman

Planned Giving Committee

Lyons, Arthur

Russell, Robert Dr.

Liaisons to Natural Resources Advisory Board

Wren, Richard T. Jr.

Endowment Committee

Rodeen, Gerald Chairman

Lyons, Art

Presbrey, Kim

Address:

The Foundation operates in office space maintained by the Illinois Department of Natural Resources as follows:

Operating Office

Illinois Conservation Foundation

1 Natural Resources Way

Springfield, IL 62702-1271

Foundation Executive Director:
Legan, Gregory

Chief Fiscal Officer:
Bandy, John

MANAGEMENT ASSERTION LETTER

Kyle E. McGinnis, CPA
200 East Pine
Springfield, Illinois 62704

January 24, 2008

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 year ended June 30, 2007. Based on this evaluation, we assert that during the year ended June 30, 2007, the Foundation has materially complied with the assertions below.

- A. The Foundation has obligated, expended, received and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Foundation has obligated, expended, received and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Foundation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. Revenues and receipts collected by the agency 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 agency or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours truly,

ILLINOIS CONSERVATION FOUNDATION


John Bandy, Chief Financial Officer


Gregory Legan, Director

For a brief moment in time, the earth is ours – not to waste or own, but to share with creatures, great and small. The role of the Illinois Conservation Foundation and its partners is to preserve and enhance our precious natural resources by supporting and fostering ecological, educational, and recreational programs for the benefit of all people now and for generations to come.

One Natural Resources Way, Springfield, IL 62702 • Contact Kathy Wheeler at 217.785.2003 • Fax 217.785.8405

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANTS' REPORT

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	2	6
Repeated findings	1	5
Prior recommendations implemented or not repeated	5	5

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (STATE COMPLIANCE)		
07-1	17	Disbursement processing weakness
07-2	18	Bank balances in excess of the FDIC insurance limit were not protected by collateral pledged by the bank
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)		
07-3	19	Financial budget for fiscal year 2006 was not timely prepared
07-4	19	Weaknesses in the Foundation's accounting records and preparation of the year end financial statements
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)		
07-5	20	Noncompliance with statutory mandates
07-6	21	Statutorily mandated personnel requirements not followed
07-7	21	Leases for automobiles did not contain all payment information and required disclosures

EXIT CONFERENCE

In a letter dated December 20, 2007 the officials of the Illinois Conservation Foundation determined that a formal exit conference would not be necessary. Responses to the recommendations were provided by Greg Legan, Executive Director, in a letter dated January 15, 2008.

KYLE E. McGINNIS

Certified Public Accountant

MEMBER OF:

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
ILLINOIS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

200 EAST PINE * SPRINGFIELD, ILLINOIS 62704

TELEPHONE: (217) 753-3377 FAX: (217) 753-8922

**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

Board of Directors
Illinois Conservation Foundation
Springfield, Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois Conservation Foundation's (A Component Unit of the State of Illinois) (Foundation) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2007. The management of the Foundation is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

- A. The Foundation has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Foundation has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Foundation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. Revenues and receipts collected by the agency 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 agency or held in trust by the agency have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and accordingly, included examining, on a test basis, evidence about the Foundation's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2007. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 07-1 and 07-2. 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.

Internal Control

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Foundation's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 07-1 and 07-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

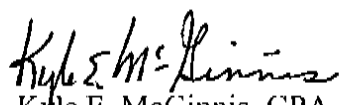
As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

The Foundation's response to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. We did not examine the Foundation's response and, accordingly, we express no opinion on it.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Foundation as of and for the year ended June 30, 2007, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated January 24, 2008. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Foundation. The 2007 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 year ended June 30, 2007, taken as a whole. We have also previously audited in accordance with auditing standards generally accepted in the United States, the Foundation's basic financial statements for the year ended June 30, 2006. In our report dated December 5, 2006, we expressed an unqualified opinion on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion the 2006 supplementary information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2006 taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Foundation management, the Foundation's Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Kyle E. McGinnis, CPA
Springfield, Illinois
January 24, 2008

KYLE E. McGINNIS

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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

Board of Directors
Illinois Conservation Foundation
Springfield, Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Illinois Conservation Foundation (A Component Unit of the State of Illinois) (Foundation) as of and for the year ended June 30, 2007, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated January 24, 2008. 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 Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundations internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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

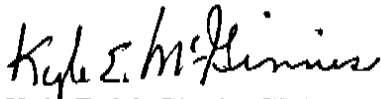
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted instances of noncompliance which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings and questioned costs. We also noted certain other matters which we have reported to management of the Foundation in a separate letter dated January 24, 2008.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Foundation Management, the Foundation's Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Kyle E. McGinnis, CPA
Springfield, Illinois
January 24, 2008

KYLE E. McGINNIS

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Illinois Conservation Foundation
Springfield, Illinois

Compliance

We have audited the compliance of the Illinois Conservation Foundation (A Component Unit of the State of Illinois) (Foundation) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and

material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Foundation as of and for the year ended June 30, 2007, and have issued our report thereon dated January 24, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Foundation's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Foundation Management, the Foundation's Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Kyle E. McGinnis, CPA
Springfield, Illinois
January 24, 2008

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified
that are not considered to be
material weaknesses? yes none reported
- Non compliance material to financial
statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified
that are not considered to be
material weaknesses? yes none reported

Type of auditors' report issued on compliance for major
programs: unqualified

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? yes no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
15.608	Fish and Wildlife Enhancement

Dollar threshold used to distinguish between
type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS - STATE COMPLIANCE

07-1. Finding Disbursement processing weakness

The Illinois Conservation Foundation (Foundation) did not follow its procedures and policies regarding disbursement processing. During our testing of cash disbursements, we discovered the Foundation was not properly obtaining two signatures on all checks written for more than \$5,000.

In fiscal year 2007 we tested 109 disbursements. During our examination of corresponding cancelled checks we found 13 checks (12%), each equal to or more than \$5,000 and totaling \$179,541, contained only one signature.

Foundation procedures adopted in October 1995 and updated March 11, 2005 require two signatures for checks of \$5,000 and over unless such payment is made from funds received from a specific grant agreement and the disbursement furthers the specific purpose of the grant.

Failure to obtain the 2 required signatures increases the risk that errors or irregularities could occur and not be detected by the Foundation's internal control process.

Foundation personnel stated the exceptions were due to time constraints and the inability to get two signatures in a timely fashion. (Finding Code No. 07-1, 06-6)

Recommendation

We recommend the Foundation strengthen controls over disbursement processing by following its policies and procedures to ensure checks over \$5,000 are properly signed by 2 authorized signers.

Foundation Response

The Foundation agrees.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS - STATE COMPLIANCE

**07-2. Finding Bank Balances In Excess Of The FDIC Insurance Limit Were Not Protected
By Collateral Pledged By The Bank**

During our testing of cash balances, we noted the Foundation did not take timely action during fiscal year 2007 to collateralize (protect) bank balances in excess of the FDIC insurance limit of \$100,000.

Bank balances in excess of FDIC insurance limit should be protected by either requesting that the bank pledge securities as collateral in a sufficient amount so as to cover the amounts in excess of the FDIC insurance limit or the amount in excess of the FDIC insurance limit should be transferred to another institution or insured account.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2c) requires State agencies to obtain appropriate collateral whenever funds deposited exceed the \$100,000 federal deposit insurance limit. The Foundation is considered a component unit of the State of Illinois and should be following the State Officers and Employees Money Disposition Act. In addition, good business practices and internal controls dictate assets be protected from possible losses.

Foundation management indicated the situation arose due to a lack of sufficient supervision of the bank account balances.

Our testing identified that at June 30, 2007 a total of \$57,472 in bank balances were in excess of the FDIC insurance limit. However, during the fiscal year this account exceeded the insurance limit on 109 different days for as much as \$120,620.

Failure to ensure bank balances are properly protected subjects Foundation funds to a risk of loss in the event of failure of the bank in which the Foundation funds are deposited (Finding Code No. 07-2).

Recommendation

We recommend the Foundation request that the bank pledge securities as collateral in a sufficient amount so as to cover the amounts in excess of the FDIC insurance limit.

Foundation Response

The Foundation agrees to request that the bank pledge securities as collateral in a sufficient amount so as to cover the amounts in excess of the FDIC insurance limit.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PRIOR FINDINGS NOT REPEATED – GOVERNMENT AUDITING STANDARDS

07-3. Finding Financial Budget For Fiscal Year 2006 Was Not Timely Prepared

The Illinois Conservation Foundation (Foundation) presented their financial budget for the Foundation's fiscal year 2006 projected revenues and expenses to the Board on May 3, 2006, this was approximately 10 months after the fiscal year begins. (Finding Code No. 06-1, 05-2)

Disposition: Not repeated.

The Board formally adopted the budget for fiscal year 2007 beginning July 1, 2006 at the quarterly meeting held on May 3, 2006.

07-4. Finding Weaknesses In The Foundation's Accounting Records And Preparation Of The Year End Financial Statements

During our fiscal year 2006 audit of the Foundation's financial statements, we recommended extensive adjustments and corrections. As a result of audit procedures performed, we recommended twenty three audit adjustments to various accounts within the Foundation's financial records for a total amount of \$458,377. Most of the adjustments were caused by coding and misclassification errors made during the year. (Finding Code No. 06-2, 05-3)

Disposition: Not repeated.

The Foundation has devoted resources to its financial accounting function and the financial information appears to be properly recorded and accounted for. We suggested only minimal adjustments during the fiscal year 2007 audit.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PRIOR FINDINGS NOT REPEATED - STATE COMPLIANCE

07-5. FINDING Noncompliance With Statutory Mandates

As part of our engagement we tested the Illinois Conservation Foundation's (Foundation) compliance with statutory mandates. In the prior audit, three instances were identified, in which through the auditors' interpretation of the statutory mandates, the Foundation should be complying. In the current audit, one instance was found not to apply to the Foundation and two instances were not repeated.

During the prior audit, we noted the Foundation had not filed documentation of the establishment of their locally held funds/accounts nor had the Foundation filed its quarterly reports on locally held fund activity with the Office of the State Comptroller. The Foundation has two locally held funds/accounts which are held outside the State Treasury.

The Foundation received a memorandum dated May 10, 2007 from the Office of the Attorney General declaring the Foundation a "State Agency" for purposes of the State Comptroller Act and must therefore file documentation regarding locally held funds/accounts with the State Comptroller in accordance with the State Comptroller Act.

During the prior audit, we noted the Foundation did not file its annual certification of their systems of internal control with the Office of the Auditor General by May 1st as required by the Fiscal Control and Internal Auditing Act (FCIAA).

In the prior audit, we also noted the Foundation was not filing copies of their grant agreements in excess of \$10,000 with the Office of the Comptroller as required by the Illinois Procurement Code (Finding Code No. 06-3, 05-4, 04-2, 03-2).

Disposition: Not Repeated

During the current audit, the Foundation properly filed its fourth quarter Report of Receipts and Disbursements for Locally Held Funds with the State Comptroller and plan to continue to file these reports for subsequent quarters.

During the current audit, the Foundation timely filed their FCIAA with the Office of the Auditor General.

During the current audit, the Office of the Attorney General, in a memorandum dated May 10, 2007, declared the Foundation's grant agreements were not subject to the requirements of the Procurement Code; therefore the Foundation is not required to file copies of their grant agreements in excess of \$10,000 with the Office of the Comptroller.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PRIOR FINDINGS NOT REPEATED - STATE COMPLIANCE

07-6. FINDING Statutorily Mandated Personnel Requirements Not Followed

The Illinois Conservation Foundation (Foundation) had one employee, the Executive Director. In our testing of personnel related expenditures we noted the Foundation did not comply with a statutorily mandated requirement which requires the Foundation's Executive Director to file an economic interest statement as required by the Illinois Governmental Ethics Act (5 ILCS 420/4A-101). (Finding Code No. 06-4, 05-6)

Disposition: Not repeated

The Foundation hired an Executive Director on May 15, 2007; he will be required to file a statement of economic interest by May 1, 2008. No statement was filed nor was one required of the Foundation for fiscal year 2007.

07-7. Finding Leases For Automobiles Did Not Contain All Payment Information And Required Disclosures

In reviewing the documentation for the Foundations automobile lease agreements, it was noted that the dealerships were allowed to attend certain Foundation sponsored functions without having to pay. This included a fishing trip, hunting trip, golf outing and a complimentary corporate table at the Illinois Outdoor Hall of Fame Banquet. None of this was documented as a part of any of the lease agreements. In addition, we noted the lease agreements did not contain the several disclosures as required by the Comptroller's Statewide Accounting Management System (SAMS Manual) Procedure 15.20.55. (Finding Code No. 06-5, 05-10)

Disposition: Not repeated.

The automobile lease in question was terminated and cancelled effective May 4, 2006 and the automobile was returned to the dealer. A new form disclosure certification page has been prepared by the Foundation to be included as an identified attachment to lease agreements and independent contractor agreements entered by the Foundation. The disclosures required by the SAMS Manual have been incorporated and included in any lease agreements entered by the Foundation since May 15, 2006.

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Illinois Conservation Foundation (A Component Unit of the State of Illinois) (Foundation) was performed by Kyle E. McGinnis, CPA.

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

KYLE E. McGINNIS

Certified Public Accountant

MEMBER OF:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

ILLINOIS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Illinois Conservation Foundation
Springfield, Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Illinois Conservation Foundation (Foundation) a component unit of the State of Illinois, as of and for the year ended June 30, 2007, which collectively comprise the Foundation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express opinions on these financial statements based on our audit.

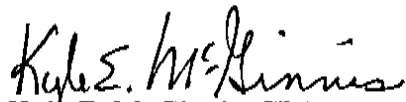
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Foundation as of June 30, 2007, and the respective changes in financial position thereof for the year 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 our report dated January 24, 2008 on our consideration of the Foundation's internal control over financial reporting and on our tests of its 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 Management's Discussion and Analysis on pages 27 through 28 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Foundation has not presented budgetary comparison information that the accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Kyle E. McGinnis, CPA

Springfield, Illinois

January 24, 2008

Illinois Conservation Foundation
(A Component Unit of the State of Illinois)
Management's Discussion and Analysis (MD&A)

Introduction

The following Management's Discussion and Analysis (MD&A) provides an introduction and overview of the Illinois Conservation Foundation's (Foundation) financial activities for the fiscal year ended June 30, 2007. The Foundation is a not-for-profit corporation created to provide additional funding for the Illinois Department of Natural Resources' (IDNR) conservation programs that either are not receiving adequate funding or else cannot be implemented because State funding is not available. The specific purposes of the corporation are to solicit and generate private funding and donations that assist in enhancing and preserving Illinois' natural habitats, historic sites, river and stream corridors, state parks, forests and fish and wildlife areas. The Foundation also accepts grants for acquisition, construction and development of IDNR properties, and supports recreational programs of the IDNR.

The Foundation has agreed to become the federal assistance cooperator in an ongoing urban and community forestry program in the Chicago metropolitan region. The project, known as the "Chicago Wilderness Project Coalition", is designed to educate the public to preserve, restore and care for the biodiversity of this unique region. Implementation of this project is being accomplished through the use of project partners who are first approved by the Chicago Wilderness Steering Committee. Partners are area organizations, such as the Nature Conservancy and the Field Museum, who are best equipped to carry out this project. Grants and contracts are awarded by the Foundation to approved partners to accomplish specific parts of the project's overall goals.

Financial Highlights

The net assets of the Foundation totaled \$4,727,488 at fiscal year ended June 30, 2007, compared to \$3,462,422 at fiscal year ended June 30, 2006. The Foundation had total revenue of \$3,606,246 and expenditures of \$2,341,180 for the fiscal year ending June 30, 2007 for an increase in net assets of \$1,265,066. The Foundation's Natural Resources Endowment Trust Fund was reported at \$1,620,422 as of June 30, 2007.

Overview of the Financial Statements

The Foundation's financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and are comprised of the Statement of Net Assets, the Statement of Activities and notes to the financial statements.

The Statement of Net Assets presents information on the Foundation's assets and liabilities and the resulting net assets. This statement also reflects the Foundation's investments, at fair value, along with the restricted and unrestricted net assets.

Overview of the Financial Statements Continued

Condensed Comparative Summary of Net Assets as of June 30

	<u>2007</u>	<u>2006</u>	<u>2007/2006</u> <u>Change</u>
Cash and Cash Equivalents	\$ 1,690,029	\$ 767,500	\$ 922,529
Accounts Receivable	190,691	135,099	55,592
Accrued Investment Income	13,806	12,765	1,041
Inventory	7,409	12,208	(4,799)
Prepaid Expenses	7,644	7,577	67
Investments	<u>3,065,456</u>	<u>2,701,789</u>	<u>363,667</u>
Total Assets	\$4,975,035	\$3,636,938	\$ 1,338,097
Liabilities	<u>247,547</u>	<u>174,516</u>	<u>(73,031)</u>
Total Net Assets	<u>\$4,727,488</u>	<u>\$3,462,422</u>	<u>\$ 1,265,066</u>

The Statement of Activities presents information regarding changes during the fiscal year ended June 30, 2007. The statement reflects additions which include the sources of revenue. Also reflected in the statement are deductions which include program and operating expenses of the Foundation.

Condensed Comparative Statement of Activities for the Year Ending June 30

	<u>2007</u>	<u>2006</u>	<u>2007/2006</u> <u>Change</u>
Additions:			
Governmental Activities	\$ 3,164,253	\$3,840,093	\$ (691,913)
General	<u>441,993</u>	<u>208,680</u>	<u>249,386</u>
Total	<u>\$ 3,606,246</u>	<u>\$4,048,773</u>	<u>\$ (442,527)</u>
Deduction:			
Governmental Activities	<u>\$ 2,341,180</u>	<u>\$4,470,663</u>	<u>\$(2,129,483)</u>
Total	<u>\$ 2,341,180</u>	<u>\$4,470,663</u>	<u>\$(2,129,483)</u>
Change in net assets	<u>\$ 1,265,066</u>	<u>\$ (421,890)</u>	<u>\$ 1,686,956</u>

There was a decrease in revenues for FY07 over the prior year due to a single one-time settlement of an environmental lawsuit received in FY06. The Foundation received \$1,748,072 as a settlement from this lawsuit.

Overall, there is an increase in net assets as reflected on the Statement of Activities of \$1,265,066 at June 30, 2007, compared to a decrease of \$421,890 at June 30, 2006.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF NET ASSETS
JUNE 30, 2007

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 1,690,029
Accounts receivable	190,691
Accrued investment income	13,806
Inventory	7,409
Prepaid expense	7,644
Total current assets	\$ 1,909,579
Noncurrent Assets:	
Investments	\$ 3,065,456
Total Assets	\$ 4,975,035
LIABILITIES:	
Current Liabilities:	
Accounts payable	\$ 233,655
Accrued expenses	4,592
Deferred revenue	9,300
Total Liabilities	\$ 247,547
NET ASSETS:	
Restricted for:	
Natural Resources and Recreation	\$ 2,842,304
Endowment-Nonexpendable	81,954
Unrestricted	1,803,230
Total Net Assets	\$ 4,727,488

The accompanying notes are an integral part of these statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUE</u>			<u>NET</u>	
Environment and Business	<u>EXPENSES</u>	<u>CHARGES FOR GOODS</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>(EXPENSE) REVENUE</u>
Regulation:					
General Administrative	\$ 231,882	\$ -	\$ 211,231	\$ -	\$ (20,651)
Natural Resources and Recreation	2,109,298	71,806	1,813,185	1,068,031	843,724
Total Governmental Activities	\$ 2,341,180	\$ 71,806	\$ 2,024,416	\$ 1,068,031	\$ 823,073
General Revenue:					
Unrestricted Realized Gain					177,407
Unrestricted Investment -Unrealized Gain					140,608
Unrestricted Investment Earnings					123,978
Change in Net Assets					\$ 1,265,066
Net Assets-Beginning					3,462,422
Net Assets-Ending					\$ 4,727,488

The accompanying notes are an integral part of these statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUND	PERMANENT FUND	TOTAL
ASSETS:			
Cash and cash equivalents	\$ 1,666,629	\$ 23,400	\$ 1,690,029
Accounts receivable	190,691	-	190,691
Accrued investment income	13,806	-	13,806
Investments	2,983,502	81,954	3,065,456
Inventory	7,409	-	7,409
	<u>\$ 4,862,037</u>	<u>\$ 105,354</u>	<u>\$ 4,967,391</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 233,655	\$ -	\$ 233,655
Accrued expenses	4,592	-	4,592
Deferred revenue	9,300	-	9,300
Total Liabilities	<u>\$ 247,547</u>	<u>\$ -</u>	<u>\$ 247,547</u>
Fund Balances:			
Reserved for:			
Natural Resources and Recreation	\$ 2,818,904	\$ -	\$ 2,818,904
Endowment-Nonexpendable	-	81,954	81,954
Education	-	23,400	23,400
Unreserved	1,795,586	-	1,795,586
	<u>\$ 4,614,490</u>	<u>\$ 105,354</u>	<u>\$ 4,719,844</u>
Total Liabilities and Fund Balances	<u>\$ 4,862,037</u>	<u>\$ 105,354</u>	<u>\$ 4,967,391</u>

The accompanying notes are an integral part of these statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

Total fund balances - governmental funds	\$ 4,719,844
Amounts reported for governmental activities in the statement of net assets are different because:	
Prepaid assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,644
Net assets of governmental activities	<u>\$ 4,727,488</u>

The accompanying notes are an integral part of these statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUND	PERMANENT FUND	TOTAL
Revenues			
Donations-Restricted	\$ 1,865,470	\$ -	\$ 1,865,470
Grants and Receipts from Governments	1,102,569	-	1,102,569
Investment Income-Restricted	-	4,954	4,954
Investment Income-Unrestricted	123,978	-	123,978
Investment Income-Unrestricted Unrealized Gain	140,608	-	140,608
Investment Income-Unrestricted Realized Gain	177,407	-	177,407
Investment Income-Restricted Unrealized Gain	-	11,119	11,119
Donations-Unrestricted	40,084	-	40,084
Merchandise Sales-Restricted	68,562	-	68,562
Publication Sales-Restricted	3,244	-	3,244
On-behalf payments	68,251	-	68,251
Total Revenues	\$ 3,590,173	\$ 16,073	\$ 3,606,246
Expenditures			
Administrative	\$ 163,631	\$ -	\$ 163,631
Natural Resources and Recreation	2,109,365	-	2,109,365
On-behalf payments	68,251	-	68,251
Total Expenditures	\$ 2,341,247	\$ -	\$ 2,341,247
Net Change in Fund Balances	\$ 1,248,926	\$ 16,073	\$ 1,264,999
Fund Balance-Beginning	3,365,564	89,281	3,454,845
Fund Balance-Ending	\$ 4,614,490	\$ 105,354	\$ 4,719,844

The accompanying notes are an integral part of these statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds	\$ 1,264,999
Amounts reported for governmental activities in the statement of activities are different because:	
Changes in Prepaid expense:	
Prepaid expense uses current financial resources and is recorded as an expense in the governmental funds.	<u>67</u>
Change in net assets of governmental activities	<u>\$ 1,265,066</u>

The accompanying notes are an integral part of these statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Illinois Conservation Foundation (Foundation) was authorized to be created by Public Act 88-591 for the purpose of promoting, supporting, assisting, sustaining, and encouraging the charitable, educational, scientific, and recreational programs, projects, and policies of the Illinois Department of Natural Resources. The Foundation's activities are managed by a board of directors, whose members are appointed by the Governor of the State of Illinois and by the leadership of the Illinois General Assembly.

B. Financial Reporting Entity

The financial statements of 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).

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, the Foundation is a component unit of the State of Illinois. Therefore, the financial statements of the Foundation are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois 62704-1871.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Basis of Presentation

The financial activities of the Foundation, which consist only of governmental activities, are reported as a component unit in the State of Illinois' Comprehensive Annual Report. For its reporting purposes, the Foundation has separate fund and government-wide financial statements and reconciles individual line items of fund financial data to government-wide data. A brief description of the Foundation's government-wide and fund financial statements is as follows:

Government-wide Statements: The government-wide statement of net assets and statement of activities report the overall financial activity of the Foundation. The financial activities of the Foundation consist only of governmental activities, which are primarily supported by donations and grants.

The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e. general government) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Foundation's funds. Separate statements for each fund category are presented. The emphasis on fund financial statements is on a major governmental fund, each displayed in a separate column.

The Foundation administers the following major governmental funds:

Special Revenue -- This is the Foundation's primary operating fund. It accounts for all financial resources of the Foundation, except those required to be accounted for in another fund. The services which are administered by the Foundation and accounted for in the special revenue fund include, among others, promoting, supporting, assisting, sustaining and encouraging the charitable, educational, scientific and recreational programs, projects and policies of the Illinois Department of Natural Resources. Certain resources obtained from federal grants and used to support Foundation activities are accounted for in the Special Revenue Fund consistent with applicable legal requirements.

Permanent This fund accounts for resources held to provide funds for schools and other youth organizations to engage in conservation projects that are both useful to the environment and educational to those involved.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- continued

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Foundation gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. On an accrual basis, 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.

Governmental funds are 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. 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 Foundation considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Significant revenue sources which are susceptible to accrual include merchandise sales and investment income. All other revenue sources including grants and donations are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

E. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investment (including restricted assets) readily convertible to cash with an original maturity of three months or less. Cash and cash equivalents includes cash in banks and money market accounts held outside the State Treasury.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- continued

F. Inventories

Inventories, consisting of general fund raising merchandise items, are stated at cost and are recorded as expenditures when consumed rather than when purchased.

G. Investments

Investments are stated at fair value. The Foundation holds investments in marketable equity securities and debt securities.

H. Capital Assets

Purchased capital assets are not capitalized within the fund. Instead, capital asset purchases are reflected as program expenditures. All capital assets purchased are considered to be property of the State of Illinois, Department of Natural Resources.

I. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for specific purpose.

J. Net Assets

In the government-wide financial statements, equity is displayed in two components as follows:

Restricted -- This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Foundation's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted -- This consists of net assets that do not meet the definition of "restricted."

K. 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.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2: DEPOSITS AND INVESTMENTS

A. Deposits

Cash and Cash Equivalents consist of checking and money market accounts at June 30, 2007.

The Foundation cash and cash equivalents had a bank balance of \$1,754,878 and a carrying balance of \$1,690,029 at June 30, 2007. The cash and cash equivalents are either deposited in financial institutions in which the balance is covered by Federal Depository Insurance Coverage, or are invested in a federal obligation money market mutual fund, that is allowed to invest only in U.S. Government Securities.

B. Investments

The Foundation's Investment Policy notes their objective is to preserve capital, invest only in high quality securities and earn reasonable returns. Approximately 25% of donor funds are required to be invested in order to be available on demand. No single issue shall constitute more than 5% of the total portfolio, with the exception of government obligations. The portfolios are to be constructed across different U.S. asset classes (stocks, bonds and cash).

Investment Summary Schedule

As of June 30, 2007 the Foundation had the following investments and maturities.

Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Treasury Notes	\$ 19,772	\$ 3,992	\$ 6,952	\$ 8,828	\$
Treasury Bonds	2,383				2,383
U.S. Agency Obligations	101,069		83,926	11,735	5,408
Asset Backed Securities	49,830				49,830
Corporate Debt Securities	660,647	222,438	438,209		
International Debt Securities	122,645	74,434	48,211		
Total Debt Securities	<u>\$ 956,346</u>	<u>\$ 300,864</u>	<u>\$ 577,298</u>	<u>\$ 20,563</u>	<u>\$ 57,621</u>
Corporate Equity Securities	1,422,805				
International Equity Securities	511,150				
Mutual Funds	175,155				
Total Investments	<u>\$ 3,065,456</u>				

Interest Rate Risk

The Foundation does not have a formal investment policy that limits investment maturities as a means of managing the exposure to fair value losses arising from increasing interest rates.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2: DEPOSITS AND INVESTMENTS - continued

Concentration of Credit Risk and Credit Risk for Investments

The Foundation does not have a formal investment policy that limits investment choices. The Foundation investment policy sets forth no single issue shall constitute more than 5% of the total portfolio, with the exception of government obligations. The following table presents the quality ratings of debt securities held by the Foundation as of June 30, 2007.

<u>Investment Type</u>	<u>Moody's Quality Rating</u>	<u>Fair Value</u>
Corporate Obligations	A1	\$ 145,922
	A2	73,672
	Aa1	220,075
	Aa2	72,958
	Aa3	73,171
	Aaa	<u>74,849</u>
Total Corporate Obligations		<u>\$ 660,647</u>
International Debt Securities	A3	\$ 74,434
	Aa1	<u>48,211</u>
Total International Debt Securities		<u>\$ 122,645</u>
Asset Backed Securities	AAA	<u>\$ 49,830</u>
Agency Obligations	Aaa	\$ 73,407
	AAA	<u>27,662</u>
Total Agency Obligations		<u>\$ 101,069</u>
U.S. Treasury Notes		<u>\$ 19,772</u>
U.S. Treasury Bonds		<u>\$ 2,383</u>
Total Debt Securities		<u>\$ 956,346</u>

NOTE 3: RESERVED FUND BALANCE

Gifts and donations made to the Foundation that are subject to expenditure for a particular named project are considered to be restricted donations. That portion of the fund balance that is the result of restricted donations is reserved for Natural Resources and Recreation purposes.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3: RESERVED FUND BALANCE CONTINUED

On October 28, 1996, a private donation of 3,500 (5,504 shares adjusted for a 3 for 2 stock split in December, 2002 and reinvesting a special capital gain in fiscal year 2003) shares of Adams Express Stock was made to the Foundation for the purpose of establishing a permanent endowment. The value of the stock as of the date of donation was \$70,219. Earnings, in the form of dividends, from these securities are to be used to provide funds for schools and other youth organizations to engage in conservation projects which are both useful in the environment and educational to those involved. That portion of the fund balance that is the result of the endowment donation is reserved for Endowment-Nonexpendable. That portion of the fund balance that is the result of unspent earnings from endowment investments is reserved for Education.

NOTE 4: INCOME TAXES

The Foundation is a non-profit corporation exempt from income taxes under Section 501(c)(3) of the United States Revenue Code. As such, donations made to the Foundation are deductible by the donor.

NOTE 5: RELATED PARTY TRANSACTIONS

The Assistant to the Executive Director was paid by the Illinois Department of Natural Resources (Department). The Department also provides office space, equipment and some administrative expenses for the Foundation, which are immaterial and are not reported in the financial statements.

The amount of financial assistance from the Department being included in the Foundation's financial statements for the year ended June 30, 2007 is as follows:

Salaries	\$ 57,270
Benefits	<u>10,981</u>
Total	<u>\$ 68,251</u>

The total of \$68,251 is included in the Statement of Activities as a General Administrative revenue and expense; it is included on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds as on-behalf revenues and expense.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 6: COMMITMENTS

The Foundation has agreed to become the federal assistance cooperator in an ongoing urban and community forestry program in the Chicago metropolitan region. The project, known as the "Chicago Wilderness Project Coalition", is designed to educate the public to preserve, restore and care for the biodiversity of this unique region. Implementation of this project is being accomplished through the use of project partners who are first approved by the Chicago Wilderness Steering Committee. Partners are area organizations, such as the Nature Conservancy and the Field Museum, who are best equipped to carry out this project. Grants and contracts are awarded by the Foundation to approved partners to accomplish specific parts of the project's overall goals.

Over the past six years the Foundation has been awarded six grants from the Forest Service of the U.S. Department of Agriculture and six grants from the Fish and Wildlife Service of the U.S. Department of the Interior to partially fund this project. The amounts awarded on these grants total \$5,505,000. In fiscal year 2007 the Foundation paid a total of \$867,783 to Chicago Wilderness Members. Over the past six years the Foundation has paid \$6,409,191 to the Chicago Wilderness partners. The Foundation has negotiated a 5% - 10% indirect cost rate agreement with the federal funding agencies to cover administrative and other costs of the project. One of the grants from the U.S. Department of Agriculture and three of the grants from the Department of Interior have been closed.

The most recent Department of Agriculture award extends through September 30, 2009 and the latest award from the Department of Interior extends through September 30, 2011.

NOTE 7: NATURAL RESOURCE AND RECREATION EXPENDITURE DETAIL

The Natural Resource and Recreation expenditures are detailed as follows:

ADM Consent Decree	\$ 32,410
Aquatic Ecology Education	711
Pheasant Habitat	5,004
Bicyclists of Illinois	11
Creating Habitat: Home for Wildlife Book Sale	89
Educational Services: Becoming an Outdoor Woman	11,409
Clinton Lake Handicapped Shotgun Deer Hunt	350
Archery Education Program	500
Special Events: Celebrity Quail Hunt	57,140
Timberland Disabled Youth Hunt	2,949
Chronic Wasting Disease	8,250
DNR Diversity Employee Committee	263
Disabled Outdoor Opportunities Program	4,558
Dynegy Midwest Generation Settlement	149,692
ENTICE	35,266
Federal - Sub-grantee Awards	1,019,734
Education Series: Field Interpretation	347

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 7: NATURAL RESOURCE AND RECREATION EXPENDITURE DETAIL -
continued

Governor's Cup Sporting Clays Event	7,730
Friends of World Recreational Shooting Complex	6,920
Godar Refuge Wetland Protection	2,995
Hall of Fame Dinner	40,865
John Husar Memorial	1
ICF Grants	25,305
Clinton Lake State Recreation Area	8,721
Educational Services: Kids for Conservation	2,577
Land Acquisition Fund	94,473
LaSalle Station Improvements	5,150
Legislative Caucus	8,025
Law Enforcement	105,297
Lake Michigan Fishing Tournament	9,674
Merchandise	4,800
Hitt's Siding Nature Preserve Wetland	27,630
Memorials Other	1,115
Innovation Illinois Scholarships	1,000
Memorial -- Todd Fink	500
Moraine Hills State Park	15,158
NASP Youth	17,653
National Hunting & Fishing Days	84
Ocquawka Refuge Project	2,801
State Parks	234
Pere Marquette State Park	401
Springfield Rail Golf Outing	10,631
Rock Cut State Park	1,274
Safety Education Program	5,217
Sportsmen Against Hunger	24,212
Eagle Creek State Park	5,841
FOIDPhotographs	1,469
Educational Services: Under Ill Skies	6,472
Schoolyard Habitat Grant	4,746
Forestry: Tree Planting	205,859
Weatherby Foundation Events	15,986
Whitetails book	29
Willmington Shrub Prairie	22,703
Wingsshoot Clinic	27,306
Special Events: Youth Programs	55,593
Youth Waterfowl	2,074

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 7: NATURAL RESOURCE AND RECREATION EXPENDITURE DETAIL -
continued

Hardwood Forest Foundation	1,100
Moraine View State Park	61
Illinois Muskie Tour	<u>1,000</u>
 TOTAL	 <u>\$2,109,365</u>

NOTE 8: DEFERRED REVENUE

At June 30, 2007, the Foundation has deferred revenue of \$9,300. The Hitts Siding Nature Preserve Wetlands Enhancement project was advanced \$40,000 and \$30,700 was expended as of June 30, 2007, leaving a deferred revenue of \$9,300.

NOTE 9: ACCOUNTS RECEIVABLE

At June 30, 2007, the Foundation has accounts receivable of \$190,691. This amount consists of \$181,220 in federal grants, \$6,641 in Affinity Credit Card royalties and \$2,830 in merchandise. The Foundation considers all the accounts receivable to be fully collectible.

NOTE 10: RISK MANAGEMENT

The Foundation had workers compensation, liability, automobile, and umbrella insurance coverage for the fiscal year, and there were no claims for the past three years.

Illinois Conservation Foundation
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SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary information for state compliance purposes presented in this section of the report includes the following:

Fiscal Schedules and Analysis:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis)
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Revenues
- Analysis of Significant Balance Sheet Accounts
- Analysis of Accounts Receivable and Accrued Investment Income

Analysis of Operations:

- Agency Functions and Planning Program
- Average Number of Employees and Foundation Members
- Comparative Schedule of Administrative Expenditures
- Service Efforts and Accomplishments (Unaudited)
- Schedule of Federal and Nonfederal Expenditures

The accountants' 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 accountants' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

Schedule of Expenditures of
Federal Awards
For the Year Ended June 30, 2007

Federal Grantor/ Program	Federal CFDA Number	Other Identification Number	Award Period	Award Amount	Federal Expenditures	Sub-Grantee Awards
Major Programs:						
Direct Programs:						
U.S. Department of the Interior:						
Fish and Wildlife Enhancement	15.FFB	30181-3-G058	07/30/01-12/31/06	\$ 580,000	\$ 42,787	\$ 38,870
	15.608	30181-4-G046	05/24/04-09/30/09	600,000	69,559	63,286
	15.608	30181-5-G040	07/11/05-09/30/10	400,000	310,368	295,589
	15.608	30181-6-G050	06/26/06-09/30/11	420,000	134,703	125,305
				<u>\$ 557,417</u>	<u>\$ 523,050</u>	
Non-Major Programs:						
Direct Programs:						
U.S. Department of Agriculture						
Cooperative Forestry Assistance	10.664	03-DG-11244225-181	01/01/03-12/31/07	700,000	\$ 70,019	\$ 63,653
	10.664	03-DG-11244225-207	08/25/03-09/30/08	350,000	14,181	12,922
	10.675	04-DG-11244225-119	08/02/04-09/30/08	200,000	108,856	98,960
	10.675	05-DG-11244225-361	07/15/05-09/30/09	335,000	178,056	163,928
	10.675	06-DG-11244225-093	04/01/06-09/30/09	50,000	5,534	5,270
				<u>\$ 376,646</u>	<u>\$ 344,733</u>	
Forest Land Enhancement Program	10.664	03-DG-11244225-451	09/03/03-09/30/08	242,700	\$ 26,045	\$ 22,462
	10.664	05-DG-11244225-217	07/21/05-09/30/09	167,305	97,044	88,222
	10.664	06-DG-11244225-157	05/17/06-09/30/09	74,065	7,446	6,769
				<u>\$ 130,535</u>	<u>\$ 117,453</u>	
Habitat Guidebook	10.xxx	01-CS-11090100-008	09/27/01-09/30/07	45,000	\$ 2,988	\$ 2,717
Fire Crew	10.664	06-DG-11244225-339	08/31/06-09/30/09	46,500	\$ 24,485	\$ 22,259
	10.xxx	06-PA-11091500-004	08/25/06-12/31/08	75,000	10,474	9,522
				<u>\$ 34,959</u>	<u>\$ 31,781</u>	
Total Federal Awards and Expenditures				<u>\$ 4,285,570</u>	<u>\$ 1,102,545</u>	<u>\$ 1,019,734</u>

See accompanying notes to the schedule of expenditures of federal awards.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Illinois Conservation Foundation and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in presentation of, the basic financial statements.

Note 2 - Amounts Provided to Subrecipients:

The Foundation provided \$867,783 to various members of the Chicago Wilderness Coalition during the fiscal year ended June 30, 2007.

Note 3 - Determination of Type A Programs:

Programs 10.664 and 15.FFB have been determined to be Type A programs.

Note 4 - Administrative Costs:

Federal expenditures include \$82,811 of administrative costs.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis)
For the Years Ended June 30, 2007 and 2006

	2007	2006
Cash and cash equivalents, beginning	\$ 767,500	\$ 983,822
Receipts:		
Donations	1,864,035	2,544,673
Grants and Receipts from Other Governments	1,043,945	1,088,305
Merchandise Sales	69,523	75,206
Publication Sales	3,244	16,432
Investment Income	127,916	125,919
Investment Income Realized Gain	-	91,065
Sale of Investments	1,958,936	436,004
Disbursements:		
General Administrative	(159,046)	(265,781)
Merchandise Purchased	-	(9,539)
Programs	(1,992,555)	(4,061,733)
Purchase of investments	(1,993,469)	(256,873)
Cash and cash equivalents, ending	\$ 1,690,029	\$ 767,500

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

Analysis of Significant Variations in Expenditures
For the Years Ended June 30, 2007 and 2006

Program	2007	2006	Increase (Decrease)
(1) Federal - Sub-grantee Awards	\$ 1,019,734	\$ 961,089	\$ 58,645
(2) ADM Consent Decree	32,410	200,500	(168,090)
(3) LaSalle Station Improvements	5,150	256,398	(251,248)
(4) Land Aquisition	94,473	280	94,193
(5) Shell Oil Wetland Preservation	-	207,000	(207,000)
(6) Tree Planting	205,859	155,668	50,191
(7) Dyncgy Midwest	149,692	1,573,077	(1,423,385)
(8) Mobile Science Unit	-	136,300	(136,300)
(9) World Shooting Recreational Complex Guns	-	79,421	(79,421)
(10) Law Enforcement	105,297	11,658	93,639

(1) The increase of \$58,645 or 6% in Federal - Sub-Grantee awards expenditures is directly related to the increased activity in the Forest Lands Enhancement Program.

(2) The ADM Consent Decree expenditures decreased \$168,090 or 84% in fiscal year 2007 due to the completion of the project.

(3) LaSalle Station Improvements expenditures decreased \$251,248 or 98% in fiscal year 2007 because the primary construction activity occurred in fiscal year 2006.

(4) Land Acquisition expenditures increased \$94,193 in fiscal year 2007 due to a lack of land purchases in fiscal year 2006.

(5) Shell Oil Wetland Preservation Expenditures decreased \$207,000 or 100% in fiscal year 2007 due to the completion of the project in fiscal year 2006.

(6) Tree Planting expenditures increased \$50,191 or 32% during fiscal year 2007 due to an increase in the demand for tree nursery production funding.

(7) Dyncgy Midwest expenditures decreased \$1,423,385 or 90% during fiscal year 2007 because the project included a one-time land acquisition in fiscal year 2006.

(8) Mobile Science Unit expenditures decreased \$136,300 or 100% during fiscal year 2007 because this project was completed in fiscal year 2006.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

Analysis of Significant Variations in Expenditures
For the Years Ended June 30, 2007 and 2006

(9) World Shooting Recreational expenditures decreased \$79,421 or 100% during fiscal year 2007 because this one-time project was completed in fiscal year 2006.

(10) Law Enforcement expenditures increased \$93,639 in fiscal year 2007 due to an increased demand for law enforcement support.

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Significant Variations in Revenues
For the Years Ended June 30, 2007 and 2006

Program	2007	2006	Increase (Decrease)
(1) Donations - Restricted	\$ 1,865,470	\$ 2,476,768	\$ (611,298)
(2) Grants & Receipts from Governments	1,102,569	1,075,803	26,766
(3) Investment Income - Unrestricted Unrealized Gain (Loss)	140,608	(9,392)	150,000
(4) Investment Income - Unrestricted Realized Gain	177,407	91,065	86,342
(5) Donations - Unrestricted	40,084	125,482	(85,398)

(1) Donations - Restricted decreased \$611,298 or 25% in fiscal year 2007 due to a decline in receipts from a settlement of an environmental lawsuit filed by the State of Illinois in 2006.

(2) Grants & Receipts from Governments increased \$26,766 or 2% in fiscal year 2007 due to an increased level of federal grants received in 2007 and due to an increase in requests from land owners under the Forest Land Enhancement Program.

(3) Investment Income - Unrestricted Unrealized Gain (Loss) increased \$150,000 in fiscal year 2007 due to an increase in investment income from the growth of equity securities.

(4) Investment Income - Unrestricted Realized Gain increased \$86,342 or 95% due to an increase in investment income from the growth of equity securities.

(5) Donations - Unrestricted decreased \$85,398 or 68% in fiscal year 2007 because in fiscal year 2006 a sizable one-time donation was received from the Karen Jean Threw Trust.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

Analysis of Significant Balance Sheet Accounts
For the Years Ended June 30, 2007 and 2006

	2007	2006	Increase (Decrease)
(1) Cash and Cash Equivalents	\$ 1,690,029	\$ 767,500	\$ 922,529
(2) Accounts Receivable	190,691	135,099	55,592
(3) Investments	3,065,456	2,701,789	363,667

(1) Cash and Cash Equivalents increased \$922,529 or 120% in fiscal year 2007 as the result of additional cash on hand from a settlement of an environmental lawsuit.

(2) Accounts receivable increased \$55,592 or 41% in fiscal year 2007 due to a federal sub-grantee expenditure incurred late in the fiscal year and not being reimbursed by June 30.

(3) The increase of \$363,667 or 13% in investments is the direct result of earnings from investments.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

Analysis of Accounts Receivable and Accrued Investment Income
For the Years Ended June 30, 2007 and 2006

	2007	2006	Increase
(1) Accounts Receivable	\$ 190,691	\$ 135,099	\$ 55,592
(2) Accrued Investment Income	13,806	12,765	1,041

(1) Accounts Receivable consists of a) amounts due from the Illinois Department of Natural Resources to the Illinois Conservation Foundation for merchandise sold by the Department on behalf of the Foundation and b) amounts due from the Grantor Agency for federal expenditures incurred in fiscal year 2007 but not reimbursed until July, 2007 and c) amounts due from Affinity Credit Card Royalties.

a) Under 60 days old-	\$ 2,830
b) Under 60 days old-	181,220
c) Under 60 days old-	6,641
	\$ 190,691

(2) Accrued investment income consists of interest earned on cash equivalents for the year ending June 30, 2007 but not remitted until July, 2007.

ILLINOIS CONSERVATION FOUNDATION
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Agency Functions and Planning Program
June 30, 2007

Agency Function

The Illinois Conservation Foundation (Foundation) was authorized to be created by the Illinois Department of Conservation (a predecessor agency of the Illinois Department of Natural Resources) by Public Act 88-591 on August 20, 1994. The role of the Foundation is to provide additional funding for the Illinois Department of Natural Resources' conservation programs that are either not receiving adequate State funding or cannot be implemented because State funding is not available (20 ILCS 880/10).

The Foundation's Board of Directors are appointed as follows:

- 2 by the President of the Illinois Senate
- 2 by the Minority Leader of the Illinois Senate
- 2 by the Speaker of the Illinois House of Representatives
- 2 by the Minority Leader of the Illinois House of Representatives
- 4 by the Governor

The Director of the Illinois Department of Natural Resources serves as the Chairman of the Board of Directors.

Planning Program

The Foundation has adopted a Mission Statement. Guidelines have been established as stated in the Illinois Conservation Foundation Act and the Foundation's Operating Procedures Manual.

MISSION STATEMENT

For a brief moment in time, the earth is ours— not to waste or own—but to share with creatures, great and small.

The role of the Illinois Conservation Foundation and its partners is to preserve and enhance our natural resources by supporting and fostering ecological, educational, and recreational programs for the benefit of all people now and for generations to come.

ILLINOIS CONSERVATION FOUNDATION
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Agency Functions and Planning Program
June 30, 2007

GUIDELINES

The Foundation is a not-for-profit corporation incorporated on March 7, 1995 under the laws of the State of Illinois. Its purposes are charitable and educational.

The Foundation is organized exclusively for charitable and educational purposes within the meaning of Section 501 (c) (3) of the Internal Revenue Code of 1954. As delineated by the Illinois Conservation Foundation Act (20 ILCS 880), the specific purposes of the Foundation are:

- a) to promote, support, assist, sustain and encourage the charitable, educational, scientific, and recreational programs, projects, and policies of the Illinois Department of Natural Resources.
- b) to solicit and accept aid or contributions consistent with the stated intent of the donor and the goals of the Foundation;
- c) to accept grants for the acquisition, construction, improvement, and development of potential Foundation projects; and
- d) to solicit and generate private funding and donations that assist in enhancing and preserving Illinois' natural habitats, historic sites, river and stream corridors, state parks, forests and fish and wildlife areas.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

AVERAGE NUMBER OF EMPLOYEES AND FOUNDATION MEMBERS

The following table, prepared from Foundation records, presents the average number of Foundation employees and the average number of Foundation Members, for the fiscal year ended June 30,

Fiscal Year	Employees	Foundation Members
2005	1	11
2006	1	11
2007	1	12

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

Comparative Schedule of Administrative Expenditures
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
Accounting	\$ 32,079	\$ 80,710	\$ (48,631)
Director's Salary (a)	14,075	94,402	(80,327)
General Administrative	<u>117,477</u>	<u>119,726</u>	<u>(2,249)</u>
Total Administrative Expenditures	<u>\$ 163,631</u>	<u>\$ 294,838</u>	<u>\$ (131,207)</u>
 TOTAL EXPENDITURES	 <u>\$ 2,341,247</u>	 <u>\$ 4,470,422</u>	
 % of Administrative Expenditures to Total Expenditures	 <u>6.99%</u>	 <u>6.60%</u>	

(a) The Executive Director position was vacant during most of fiscal year 2007.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)

Analysis of Operations
Service Efforts and Accomplishments
(Unaudited Disclosures by Agency Management)

- The Foundation administers the Chicago Wilderness Cooperative Forestry Assistance program and works with many natural resources organizations in the northeastern Illinois six county area. The program is funded by \$5,505,000 in grants from the U.S. Forest Service and the U.S. Fish and Wildlife Service.
- The Foundation administered distribution of \$187,252 for various Illinois Department of Natural Resources projects from Court ordered environmental decrees or settlements.
- The Foundation coordinated the fundraising for the various youth programs, scholarships, and special events.
- The Foundation provided \$205,859 to the Illinois Department of Natural Resources for tree nursery production.
- The Foundation funded 9 grants totaling \$29,287 of non-federal money to various entities for educational and environmental programs.
- The Foundation provided \$105,297 to the Illinois Department of Natural Resources for support of conservation law enforcement efforts.
- The Foundation provided \$94,473 for acquisition of land by the Illinois Department of Natural Resources.

ILLINOIS CONSERVATION FOUNDATION
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Schedule of Federal and Nonfederal Expenditures
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	
	<u>Amount</u>	<u>Percent</u>
Federal	\$ 1,102,545	47.09%
Nonfederal	<u>1,238,702</u>	<u>52.91%</u>
Total	<u>\$ 2,341,247</u>	<u>100.00%</u>
	<u>2006</u>	
	<u>Amount</u>	<u>Percent</u>
Federal	\$ 1,048,304	23.45%
Nonfederal	<u>3,422,118</u>	<u>76.55%</u>
Total	<u>\$ 4,470,422</u>	<u>100.00%</u>