

**ILLINOIS ARTS COUNCIL FOUNDATION
(A Component Unit of the State of Illinois)**

**FINANCIAL AUDIT AND
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015**

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

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
(A Component Unit of the State of Illinois)

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

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STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
(A Component Unit of the State of Illinois)

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

AGENCY OFFICIALS

Executive Director	Ms. Tatiana Gant
Chief Fiscal Officer	Ms. Yazoo Hall

BOARD MEMBERS

Chair	Ms. Shirley Madigan
Vice Chair	Ms. Rhoda Pierce
Secretary (01/11/15 – Present)	Ms. Cecilia Rodhe
Member	Ms. Jill Arena
Member	Ms. Lisa Dent Bielefeldt
Member	Ms. Beth Boosalis Davis
Member	Mr. William Brattain
Member	Ms. Patrice Bugelas-Brandt
Member (01/11/15 – Present)	Ms. Nadia Daley
Member	Mr. Richard Daniels
Member	Mr. Henry Godinez
Member	Ms. Desiree Grode
Member	Ms. Jodie Kavensky
Member	Ms. Valerie King
Member	Ms. Jennifer Levine
Member	Mr. Gary Matts
Member	Ms. Peggy Montes
Member	Ms. Sheila Marie O'Brien
Member (01/11/15 – Present)	Ms. Erika Spyropolous
Member	Mr. Howard A. Tullman
Member	Mr. Donald T. Wiener

The Foundation's Office is located at:

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



ILLINOIS
ARTS
COUNCIL
AGENCY

December 9, 2015

McGreal & Company, PC
Certified Public Accountants
5740 West 95th Street
Oak Lawn, Illinois 60453

Bruce Rauner
Governor

Shirley R. Madigan
Chairman

Tatiana Gant
Executive Director

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 Illinois Arts Council Foundation (Foundation). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Foundation's compliance with the following assertions during the two-year period ended June 30, 2015. Based on this evaluation, we assert that during the years ended June 30, 2015 and June 30, 2014, 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. 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. 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

Tatiana Gant, Executive Director

12/9/2015

Yazoo Hall, Chief Fiscal Officer

12/9/2015

James R. Thompson Center - 100 W Randolph Street - Suite 10-500 - Chicago, IL 60601-3298
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STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
(A Component Unit of the State of Illinois)

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

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.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

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

EXIT CONFERENCE

The Illinois Arts Council Foundation waived a formal exit conference in correspondence dated November 23, 2015.

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable William G. Holland
Auditor General
State of Illinois

and

Illinois Arts Council Foundation
Board of Directors
Chicago, 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, 2015. 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 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. 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, 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 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 State of Illinois, 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 compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2015.

Internal Control

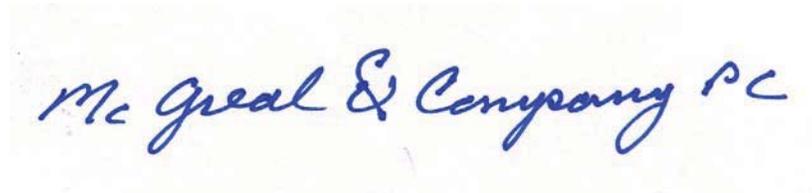
Management of the State of Illinois, Illinois Arts Council Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Illinois Arts Council Foundation's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances 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 State of Illinois, Illinois Arts Council Foundation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Arts Council Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

A handwritten signature in blue ink that reads "McGreal & Company PC". The signature is written in a cursive, flowing style.

McGreal & Company, PC
Oak Lawn, Illinois

December 9, 2015

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable William G. Holland
Auditor General
State of Illinois

and

Illinois Arts Council Foundation
Board of Directors
Chicago, Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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 the financial statements of the governmental activities and major fund of the Illinois Arts Council Foundation, as of and for the years ended June 30, 2015 and June 30, 2014, and the related notes to the financial statements, which collectively comprise State of Illinois, Illinois Arts Council Foundation's basic financial statements, and have issued our report thereon dated December 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Arts Council Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the State of Illinois, Illinois Arts Council Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Arts Council Foundation's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Illinois Arts Council Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Arts Council Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "McGreal & Company PC". The signature is written in a cursive, flowing style.

McGreal & Company, PC
Oak Lawn, Illinois

December 9, 2015

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
(A Component Unit of the State of Illinois)

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Illinois Arts Council Foundation was performed by McGreal & Company, PC.

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

EXIT CONFERENCE

The Illinois Arts Council Foundation waived a formal exit conference in correspondence dated November 23, 2015.

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

and

Illinois Arts Council Foundation
Board of Directors
Chicago, Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities and major fund of the State of Illinois, Illinois Arts Council Foundation, a component unit of the State of Illinois, as of and for the years ended June 30, 2015, and June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Arts Council Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the State of Illinois, Illinois Arts Council Foundation, as of June 30, 2015, and June 30, 2014, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted a management's discussion and analysis and budgetary comparison information for the Illinois Arts Council Other Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit for the years ended June 30, 2015, and June 30, 2014, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Arts Council Foundation's basic financial statements. The accompanying supplementary information in the State Compliance Schedule 1 and the Analysis of Operations Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompany supplementary information for the years ended June 30, 2015 and June 30, 2014 in the State Compliance Schedule 1 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the years ended June 30, 2015 and June 30, 2015 in the State Compliance Schedule 1 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the years ended June 30, 2015 and June 30, 2014, in the State Compliance Schedule 1 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the State of Illinois, Illinois Arts Council Foundation's basic financial statements as of and for the two years ended June 30, 2013 and June 30, 2012 (not presented herein), and have issued our reports thereon dated December 18, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities and major fund. The accompanying supplementary information for the year ended June 30, 2013 in Schedule 1 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2013 and June 30, 2012 financial statements. The accompanying supplementary information for the year ended June 30, 2013 in Schedule 1 has been subjected to the auditing procedures applied in the audit of the June 30, 2013 and June 30, 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the years ended June 30, 2013 in Schedule 1 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2015 on our consideration of the State of Illinois, Illinois Arts Council 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* in considering the State of Illinois, Illinois Arts Council Foundation's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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 the Illinois Arts Council Foundation's membership and management, and is not intended to be and should not be used by anyone other than these specified parties.



McGreal & Company, PC
Oak Lawn, Illinois

December 9, 2015

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
(A Component Unit of the State of Illinois)

Governmental Fund Balance Sheet/Statement of Net Position
June 30, 2015

	Other Funds	Total	Adjustments	Statement of Net Position
ASSETS				
Cash and investments	\$ 84,514	\$ 84,514	\$ -	\$ 84,514
Accounts receivable	25	25	-	25
 Total Assets	<u>\$ 84,539</u>	<u>\$ 84,539</u>	<u>\$ -</u>	<u>\$ 84,539</u>
LIABILITIES				
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE / NET POSITION				
Fund Balance:				
Restricted	84,539	84,539	(84,539)	-
Restricted net position	-	-	84,539	84,539
Total Fund Balance / Net Position	<u>84,539</u>	<u>84,539</u>	<u>\$ -</u>	<u>\$ 84,539</u>
Total Liabilities and Fund Balances	<u>\$ 84,539</u>	<u>\$ 84,539</u>		

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

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
(A Component Unit of the State of Illinois)

Governmental Fund Balance Sheet/Statement of Net Position
June 30, 2014

	Other Funds	Total	Adjustments	Statement of Net Position
ASSETS				
Cash and investments	\$ 83,772	\$ 83,772	\$ -	\$ 83,772
Total Assets	<u>\$ 83,772</u>	<u>\$ 83,772</u>	<u>\$ -</u>	<u>\$ 83,772</u>
LIABILITIES				
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE / NET POSITION				
Fund Balance:				
Restricted	83,772	83,772	(83,772)	
Restricted net position	<u>-</u>	<u>-</u>	<u>83,772</u>	<u>83,772</u>
Total Fund Balance / Net Position	<u>83,772</u>	<u>83,772</u>	<u>\$ -</u>	<u>\$ 83,772</u>
Total Liabilities and Fund Balances	<u>\$ 83,772</u>	<u>\$ 83,772</u>		

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

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
(A Component Unit of the State of Illinois)

Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities
June 30, 2015

	<u>Other Funds</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses:				
Current:				
Materials and services	\$ 145	\$ 145	\$ -	\$ 145
Total Expenditures/Expenses	<u>145</u>	<u>145</u>	<u>-</u>	<u>145</u>
General Revenues:				
Investment earnings	82	82	-	82
Miscellaneous contributions	830	830	-	830
Total General Revenues	<u>912</u>	<u>912</u>	<u>-</u>	<u>912</u>
Excess of Revenue over Expenditures	<u>767</u>	<u>767</u>	<u>(767)</u>	<u>-</u>
Change in Net Position			<u>767</u>	<u>767</u>
Fund Balances/Net Position:				
Beginning of the year	<u>83,772</u>	<u>83,772</u>	<u>-</u>	<u>83,772</u>
End of the Year	<u><u>\$ 84,539</u></u>	<u><u>\$ 84,539</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 84,539</u></u>

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

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
(A Component Unit of the State of Illinois)

Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities
June 30, 2014

	Other Funds	Total	Adjustments	Statement of Activities
Expenditures/Expenses:				
Current:				
Materials and services	\$ 145	\$ 145	\$ -	\$ 145
Total Expenditures/Expenses	<u>145</u>	<u>145</u>	<u>-</u>	<u>145</u>
General Revenues:				
Investment earnings	146	146	-	146
Miscellaneous contributions		-	-	-
Adjustment	-	-	-	-
Total General Revenues	<u>146</u>	<u>146</u>	<u>-</u>	<u>146</u>
Excess of Revenue over Expenditures	<u>1</u>	<u>1</u>	<u>(1)</u>	
Change in Net Position			<u>1</u>	<u>1</u>
Fund Balances/Net Position:				
Beginning of the year	<u>83,771</u>	<u>83,771</u>	-	<u>83,771</u>
End of the year	<u>\$ 83,772</u>	<u>\$ 83,772</u>	<u>\$ -</u>	<u>\$ 83,772</u>

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

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
(A Component Unit of the State of Illinois)

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 - ORGANIZATION

The Illinois Arts Council Foundation (Foundation) was incorporated 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 Foundation's financial statements are 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. *Financial 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 with
(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.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
(A Component Unit of the State of Illinois)

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. *Basis of Presentation*

For its reporting purposes, the Foundation has combined its presentation of the fund financial statements and the government-wide financial statements. A brief description of the Foundation's government-wide and fund financial statements is as follows:

Government-Wide Statements: The Statement of Net Position 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.

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 Other Fund, utilizing the basis of accounting described in Note 2(c) below.

The Foundation administers the following major governmental fund:

Other Fund: This is the Foundation's primary operating fund. It accounts for all financial resources of the Foundation. The services administered by the Foundation and accounted for in this fund include the promotion of arts among the residents of the State of Illinois.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL FOUNDATION
(A Component Unit of the State of Illinois)

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. 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, includes 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 required under accrual accounting.

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 the Foundation.

e. Net Position

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

Restricted – This consists of the portion of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. *Fund Balances*

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is divided into five classifications based primarily on the extent to which the governmental entity is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

1. *Nonspendable* fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by the Constitution, external resource providers, or through enabling legislation. The Foundation’s fund balance was restricted as of June 30, 2014, and June 30, 2015.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
5. *Unassigned* fund balance is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. 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

NOTE 3 – DEPOSITS AND INVESTMENTS

The Foundation independently manages cash and cash equivalents maintained outside the State Treasury.

Cash on deposit for locally held funds at June 30, 2015, and June 30, 2014 were as follows:

Fund	Carrying Amount	Bank Balance	Description
June 30, 2015:			
Chase Bank – Checking	\$ 7,665	\$ 7,665	Insured (FDIC)
Bank of America – Savings	2,588	2,588	Insured (FDIC)
Bank of America – Certificates of Deposit	<u>74,261</u>	<u>74,261</u>	Insured (FDIC)
	<u>\$ 84,514</u>	<u>\$ 84,514</u>	
June 30, 2014:			
Chase Bank – Checking	\$ 6,885	\$ 6,885	Insured (FDIC)
Bank of America – Savings	2,707	2,707	Insured (FDIC)
Bank of America – Certificates of Deposit	<u>74,180</u>	<u>74,180</u>	Insured (FDIC)
	<u>\$ 83,772</u>	<u>\$ 83,772</u>	

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

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 its normal business activities.

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

The Foundation's Board of Directors and the Illinois Arts Council share a common membership.

NOTE 5 – FUTURE ADOPTION OF GASB STATEMENTS

Effective for the year ending June 30, 2016, the Foundation will adopt GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. The Foundation has not yet determined the impact on the Funds' financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2017, the Foundation will adopt GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Foundation does not expect a material impact on the Funds' financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2017, the Foundation will adopt GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Foundation does not expect a material impact on the Funds' financial statements as a result of adopting this statement.

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 5 – FUTURE ADOPTION OF GASB STATEMENTS (Continued)

Effective for the year ending June 30, 2018, the Foundation will adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Foundation does not expect a material impact on the Funds' financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2016, the Foundation will adopt GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The Foundation has not yet determined the impact on the Funds' financial statements as a result of adopting this statement.

NOTE 6 – SUBSEQUENT EVENTS

The Foundation is not aware of any additional facts, decisions, or conditions that might be expected to have a significant effect on the financial position or results of operations during the and future fiscal years.

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

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:

Comparative Schedule of Cash Receipts, Disbursements and Fund Balances (Cash Basis) – Locally Held Funds

- Analysis of Operations:

Foundation Functions and Planning Program (Unaudited)
Average Number of Employees (Unaudited)
Service Efforts and Accomplishments (Unaudited)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Other Matters 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, it is fairly stated, in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The auditor's reports also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

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COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND FUND BALANCE
(CASH BASIS) – LOCALLY HELD FUNDS
FOR THE YEARS ENDED JUNE 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Beginning Balance of cash and certificates of deposits	\$ 83,772	\$ 83,771	\$ 83,682
Total funds received and adjustment during the fiscal year	887	146	554
Total funds disbursed during the fiscal year	<u>145</u>	<u>145</u>	<u>465</u>
Ending Balance of cash and certificates of deposits	<u>\$ 84,514</u>	<u>\$ 83,772</u>	<u>\$ 83,771</u>

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ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2015

AGENCY FUNCTIONS AND PLANNING PROGRAM (Unaudited)

Agency Functions

The Illinois Arts Council Foundation (Foundation) was incorporated on May 8, 1967 as a not-for-profit corporation. The Foundation serves the Illinois Arts Council (Council) 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 forums, promotional activities and events.

Agency Planning Program

The Foundation utilizes the same formal planning program as the Council documented in their *Strategic Plan 2013-2018*. The Council and Foundation share board members. These board members meet periodically, to actively plan all aspects of the Foundation. The current members are:

Shirley R. Madigan – Chairman	Lisa M. Dent Bielefeldt
Cecilia Rodhe – Secretary	Jennifer Levine
Rhonda A. Pierce – Vice Chairman	Peggy A. Montes
Nadia Daley	Jill Arena
Patrice Bugelas – Brandt	Beth Boosalis Davis
William E. Brattain, Ph.D.	Richard Daniels
Erika Spyropolous	Honorable Judge Sheila M. O'Brien
Jodie Shagrin Kavensky	Valerie King
Howard A. Tullman	Henry Godinez
Donald T. Wiener	Desiree Grode
	Gary Matts

AVERAGE NUMBER OF EMPLOYEES (Unaudited)

Average Number of Employees	<u>2015</u> 0	<u>2014</u> 0	<u>2013</u> 0
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Note: All Foundation activity is performed by employees of the Council.

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ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2015

SERVICE EFFORTS AND ACCOMPLISHMENTS – (Unaudited)

The Foundation's mission is to augment limited State funds for the purpose of outreach and communication initiatives within the arts community and the general public.

The Foundation's mission is accomplished through its capacity to receive and disperse private donations not authorized for use by a State agency.

Contributions to the Foundation are used to increase awareness of the Illinois Arts Council's programs and services through publications, public forums, promotional activities and events.