

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For the Year Ended June 30, 2013

**Performed as Special Assistant Auditors
for the Office of the Auditor General**

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For The Year Ended June 30, 2013

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For The Year Ended June 30, 2013

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FOUNDATION OFFICIALS

ILLINOIS CONSERVATION FOUNDATION

Board of Directors:

Miller, Marc – Appointment designated by statute – Chairman

Ducey, Barbara – Appointed by Senator Jones – Secretary

Russell, Robert Dr. – Appointed by Senator Phillip – Treasurer

Cullerton, Bill Jr. – Appointed by Representative Madigan

Keck, Fred – Appointed by Senator Phillip

Kidd, John Jr. – Appointed by Senator Jones

Newton, Larry – Appointed by Representative Cross (July 1, 2012 – July 23, 2013)

Combs, Doug – Appointed by Representative Madigan (July 1, 2012 – December 31, 2013)

Bettin, Cameron – Appointed by Representative Cross

Johnson, Barbara Ann – Appointed by Governor Quinn

Katlin, Andy – Appointed by Governor Quinn

Ruffolo, Mike – Appointed by Representative Madigan (March 11, 2013 – Present)

Beaubien, Mark – Appointed by Governor Quinn (March 29, 2013 – Present)

Anderson, Ryan – Appointed by Governor Quinn (April 23, 2013 – Present)

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

Committees were as follows:

Executive Committee

Miller, Marc – Chairman of the Board

Ducey, Barbara

Russell, Robert Dr.

Cullerton, Bill Jr.

Finance Committee

Russell, Robert Dr. – Co-Chairman

Johnson, Barbara Ann – Co-Chairman

Katlin, Andy

FOUNDATION OFFICIALS

ILLINOIS CONSERVATION FOUNDATION

Special Events Committee

Miller, Marc – Chairman of the Board
Cullteron, Bill Jr. - Chairman
Kidd, John Jr.
Bettin, Cameron
Anderson, Ryan
Beaubien, Mark

Strategic Planning & Torstenson Committee

Kidd, John Jr. – Co-Chairman
Johnson, Barbara Ann – Co-Chairman
Ducey, Barbara
Russell, Robert Dr.
Bettin, Cameron

Conservation Scholarship Committee

Ducey, Barbara – Chairman
Cullerton, Bill Jr.
Kidd, John Jr.
Ruffolo, Mike
Keener, Valerie - Advisor

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:

Spangler, Mark (July 1, 2012 – May 31, 2013)
Miller, Marc (Acting) (June 1, 2013 – December 15, 2013)
Loyd, Travis (Acting) (December 16, 2013 – February 1, 2014)
Miller, Marc (Acting) (February 2, 2014 – Present)

Chief Financial Officer:

Scheller, Truman (July 1, 2012 – Present)

MANAGEMENT ASSERTION LETTER

Kemper CPA Group LLP
Certified Public Accountants
80 Broadway Avenue, Suite 102
Mattoon, IL 61938

March 19, 2014

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, 2013. Based on this evaluation, we assert that during the year ended June 30, 2013 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 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 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 CONSERVATION FOUNDATION



Truman Scheller, Chief Financial Officer



Marc Miller, Acting Executive Director

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 Report</u>	<u>Prior Report</u>
Findings	5	3
Repeated findings	3	3
Prior recommendations implemented or not repeated	0	1

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (GOVERNMENT AUDITING STANDARDS)

2013-001	11	Financial Statement Preparation	Material Weakness and Noncompliance
2013-002	13	Segregation of Duties	Significant Deficiency and Noncompliance
2013-003	14	Inadequate Internal Control Procedures	Material Weakness and Noncompliance

FINDINGS (STATE COMPLIANCE)

2013-004	16	Noncompliance with Accountability for the Investment of Public Funds Act	Significant Deficiency and Noncompliance
2013-005	18	Inadequate Controls Over Personal Services	Significant Deficiency and Noncompliance

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

2013-001	11	Financial Statement Preparation	Material Weakness and Noncompliance
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COMPLIANCE REPORT

SCHEDULE OF FINDINGS (CONTINUED)

FINDINGS (STATE COMPLIANCE) (CONTINUED)

2013-002	13	Segregation of Duties	Significant Deficiency and Noncompliance
2013-003	14	Inadequate Internal Control Procedures	Material Weakness and Noncompliance

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on March 17, 2014.

Attending were:

Marc Miller, Acting Executive Director
Truman Scheller, Chief Financial Officer
Jennifer Siciliano, Chief Financial Officer in Training

Adam Ausmus, Audit Manager, Office of the Auditor General

Tami Knight, Partner, Kemper CPA Group, LLP
Phil Spencer, Senior, Kemper CPA Group, LLP

The responses to the recommendations were provided by Truman Scheller, Chief Financial Officer, in a letter dated March 19, 2014.

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

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, 2013. 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 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 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.

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 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 compliance requirements listed in the first paragraph of this report during the year ended June 30, 2013. However, the results of our procedures disclosed other instances of noncompliance with the 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 as items 2013-001, 2013-002, 2013-003, 2013-004, and 2013-005.

Internal Control

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 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 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2013-001 and 2013-003 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2013-002, 2013-004, and 2013-005 to be significant deficiencies.

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

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

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 and the Foundation's Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Mattoon, Illinois
March 19, 2014



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

Board of Directors
Illinois Conservation Foundation
Springfield, 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 each major fund of the Illinois Conservation Foundation (Foundation), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated March 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies described in the accompanying schedule of findings as items 2013-001 and 2013-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings as item 2013-002 to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2013-001, 2013-002, and 2013-003.

Foundation's Responses to Findings

The Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Foundation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Mattoon, Illinois
March 19, 2014

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2013-001. Finding (Financial Statement Preparation)

The Illinois Conservation Foundation (Foundation) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Foundation's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

The Foundation does not have sufficient internal controls over the financial reporting process. While the Foundation maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees, in the normal course of performing their assigned functions, to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Several errors were identified during the audit of the Foundation's draft financial statements. The Foundation's financial statements were adjusted for the following reporting errors:

- The Foundation failed to make numerous adjusting entries to present the financial statements in accordance with GAAP.
- The Foundation had realized and unrealized gains posted to opposite accounts in error. Because unrealized gains are recognized in the current year, this would cause realized and unrealized classes of gains to be misstated. A net audit adjustment of \$89,672 was recorded to correct the balances in the realized and unrealized gain accounts.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of asset resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

Foundation personnel stated that transaction account miscodings and different interpretations of GAAP by the Chief Financial Officer caused the financial statements to be incorrect.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2013-001. Finding (Financial Statement Preparation) (Concluded)

Failure to implement appropriate internal controls and provide accurate financial information could lead to misstatements of the Foundation's financial statements. (Finding Code No. 2013-001, 12-1, 11-1)

Recommendation

We recommend the Foundation implement additional internal control procedures to ensure financial statements are prepared in accordance with GAAP.

Foundation Response

The Foundation agrees.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2013-002. Finding (Segregation of Duties)

The Illinois Conservation Foundation (Foundation) has three employees, an Executive Director, who was employed 11 months during the fiscal year, a Chief Financial Officer, and a property manager. Because of the small size of the Foundation staff all of the accounting functions are performed by one employee which creates a segregation of duties issue.

Good internal control would dictate financial responsibilities be divided among the accounting and administrative staff to provide a system of checks and balances. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Foundation personnel stated that due to the small size of Foundation staff, all accounting functions are performed by one employee, which limits adequate segregation of duties.

Failure to provide proper segregation of duties in an organization jeopardizes the internal control and puts the Foundation at risk. (Finding Code No. 2013-002, 12-2, 11-4, 10-5, 09-5)

Recommendation

We recommend the Board of Directors remain involved in the financial affairs of the Foundation to provide oversight and independent review functions.

Foundation Response

The Foundation agrees.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2013-003. Finding (Inadequate Internal Control Procedures)

The Illinois Conservation Foundation (Foundation) did not maintain adequate internal controls over accounting transactions. The following weaknesses were noted during testing:

- In our testing of adjusting journal entries, we noted the Foundation's adjusting journal entries did not have evidence of review and approval by an individual independent of the preparer. The Chief Financial Officer prepares the adjusting journal entries, but there is no independent review of these adjustments.
- In our review of monthly bank reconciliations for three bank accounts, we noted the Foundation's bank reconciliations did not have evidence of review and approval by an individual independent of the preparer. The Chief Financial Officer prepares the monthly bank reconciliations and passes the reconciliations on to the Treasurer of the Board of Directors. However, there was nothing on the reconciliations indicating the Treasurer had reviewed or approved the reconciliations.
- The Foundation does not mark invoices "paid" to prevent double payment. During testing, we noted that paid invoices were not marked "paid" or otherwise cancelled.

Good internal controls require that independent reviews and approvals be documented. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that assets and resources are safeguarded against waste, loss, unauthorized use or misappropriation.

Good internal control would dictate the Foundation maintain a system of controls to ensure the risk of duplicate payments is decreased.

Foundation personnel stated that sufficient internal control procedures had not been established or implemented for certain areas of the Foundation's operations.

Failure to establish and maintain sufficient internal controls over the financial process of the Foundation could result in errors or misappropriations of assets which could be material to the financial statements and may not be detected in a timely manner by employees or management in the normal course of performing their assigned duties. (Finding Code No. 2013-003)

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2013-003. Finding (Inadequate Internal Control Procedures) (Concluded)

Recommendation

We recommend the Foundation document reviews of journal entries and bank reconciliations on the face of the document with the reviewer's initials and date of review. Also, the Foundation should indicate that invoices have been marked "paid" to ensure that duplicate payments are not made.

Foundation Response

The Foundation agrees.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE

2013-004. Finding (Noncompliance with Accountability for the Investment of Public Funds Act (Act))

The Illinois Conservation Foundation (Foundation) did not present information on the Internet concerning their investment of public funds as required by the Act. The Foundation had the following investment balances that would be classified as public funds by the Act at June 30, 2013:

Equity Securities	\$ 1,628,764
Debt Securities	948,486
Commodities	38,741
Real Estate	25,605
Other Assets	<u>12,625</u>
TOTAL	<u>\$ 2,654,221</u>

The Accountability for the Investment of Public Funds Act (30 ILCS 237/10) states that each State agency shall make available on the Internet, and update at least monthly by the 15th of the month, sufficient information concerning the investment of any public funds held by that State agency to identify the following:

- The amount of funds held by that agency on the last day of the preceding month or the average daily balance for the preceding month;
- The total monthly investment income and the yield for all funds invested by the agency;
- The asset allocation of the investments made by the agency; and
- A complete listing of all approved depository institutions, commercial paper issuers, and broker-dealers approved to do business with the agency.

The Act defines State agency to mean those entities included in the definition of “State agencies” in the Illinois State Auditing Act. Per the Illinois State Auditing Act the definition of a State Agency includes, “corporate outgrowths of the State government which are created by or pursuant to statute.” Per our interpretation of the Illinois State Auditing Act and how the Foundation was created, it is our determination the Foundation meets the definition of a State Agency as noted in the Illinois State Auditing Act. The Act goes on to define “public funds” as current operating funds, special funds, interest and sinking funds, and funds of any kind or character belonging to or in the custody of any State agency, which covers the Foundation’s investments.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE

2013-004. Finding (Noncompliance with Accountability for the Investment of Public Funds Act (Act)) (Concluded)

Foundation personnel stated that the Foundation was seeking a legislative exemption from the Accountability for the Investment of Public Funds Act; however, no such exemption was obtained. The Foundation will provide required information, on a monthly basis, about the Foundation's investments on their website.

Failure to post the required information concerning the investment of public funds results in the Foundation's noncompliance with a statutory requirement. In addition, failure to present the required information prevents the public from having access to how the Foundation has invested its funds. (Finding Code No. 2013-004, 12-3, 11-2, 10-2, 09-2, 08-2)

Recommendation

We recommend the Foundation comply with the requirements of the Act and ensure the information concerning the investment of public funds is updated monthly by the 15th of each month.

Foundation Response

The Foundation agrees.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE

2013-005. Finding (Inadequate Controls Over Personal Services)

The Illinois Conservation Foundation (Foundation) did not maintain adequate controls over personal services. The following weaknesses were noted during testing:

- One of 10 (10%) Foundation personnel tested did not complete the required annual ethics training.
- The Foundation failed to complete and submit an Agency Workforce Report to the Governor's Office and Secretary of State, during Fiscal Year 2013.

The State Officials and Employees Ethics Act (5 ILCS 430/5-10) requires each State officer, member, and employee to complete, at least annually, an ethics training program conducted by the appropriate State agency.

The State Employment Records Act (5 ILCS 410/15) requires State agencies to collect and maintain information and annually publish reports which include specified demographic and salary data regarding State employees.

Foundation personnel stated that the weaknesses noted were due to administrative oversight.

Failure of Foundation personnel to complete their annual ethics training is noncompliance with the State Officials and Employees Ethics Act. In addition, failure to complete Agency Workforce Reports could deter efforts by State officials, administrators, and residents to achieve a more diversified State workforce. (Finding Code No. 2013-005)

Recommendation

We recommend the Foundation ensure its employees complete annual ethics training in compliance with the State Officials and Employees Ethics Act. We also recommend the Foundation collect and maintain complete information and annually submit accurate Agency Workforce Reports.

Foundation Response

The Foundation agrees.

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Illinois Conservation Foundation (A Component of the State of Illinois) was performed by Kemper CPA Group LLP, Certified Public Accountants and Consultants.

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Agency's internal control over financial reporting that they considered to be material weaknesses and significant deficiencies. The material weaknesses are described in the accompanying Schedule of Findings on pages 11-12 and 14-15 of this report as items 2013-001 (Financial Statement Preparation) and 2013-003 (Inadequate Internal Control Procedures). The significant deficiency is described in the accompanying Schedule of Findings on page 13 of this report as item 2013-002 (Segregation of Duties).

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Illinois Conservation Foundation
Springfield, 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 each major fund of the Illinois Conservation Foundation (A Component Unit of the State of Illinois) (Foundation), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the Foundation, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 24-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit for the year ended June 30, 2013 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The accompanying supplementary information in the State Compliance Schedules 1 through 6 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 accompanying supplementary information for the year ended June 30, 2013, in the State Compliance Schedules 1 through 6 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 year ended June 30, 2013, in the State Compliance Schedules 1 through 6 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 year ended June 30, 2013, in the State Compliance Schedules 1 through 6 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 Foundation's basic financial statements as of and for the year ended June 30, 2012, and have issued our report thereon dated December 17, 2012, which contained modified opinions on the respective financial statements of the governmental activities and each major fund. The accompanying supplementary information for the year ended June 30, 2012 in Schedules 1 through 6 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, 2012 financial statements. The accompanying supplementary information for the year ended June 30, 2012 in Schedules 1 through 6 has been subjected to the auditing procedures applied in the audit of the 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 year ended June 30, 2012 in Schedules 1 through 6 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 our report dated March 19, 2014 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 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 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, the Foundation's Board of Directors, and Foundation management and is not intended to be and should not be used by anyone other than these specified parties.

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Mattoon, Illinois

March 19, 2014

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, 2013. 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

Within the Special Revenue Fund, revenues decreased by \$172,701 from \$1,659,591 in fiscal year 2012 to \$1,486,890 in fiscal year 2013. Expenditures decreased by \$411,002 from \$1,833,229 in fiscal year 2012 to \$1,422,227 in fiscal year 2013. The decrease in revenues is due to a significant decrease in grants and government receipts and on-behalf payments, offset by a slight increase in donations and investment income. Expenses decreased because of fewer federal grant program expenditures and on-behalf payments.

Within the Permanent Fund, revenues increased by \$14,000 from \$8,700 in fiscal year 2012 to \$22,700 in fiscal year 2013. Expenditures decreased by \$1,851 from \$2,351 in fiscal year 2012 to \$500 in fiscal year 2013. The increase in revenue is from more investment earnings in fiscal year 2013 due to improved market conditions.

The net position of the Foundation totaled \$7,608,168 at fiscal year ended June 30, 2013, compared to \$7,375,516 at fiscal year ended June 30, 2012, resulting in an increase in net position of \$232,652.

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 Position, the Statement of Activities and notes to the financial statements.

Overview of the Financial Statements (Continued)

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

Condensed Comparative Summary of Net Position as of June 30

	<u>2013</u>	<u>2012</u>	<u>2013/2012</u> <u>Change</u>
Cash and Cash Equivalents	\$ 418,017	\$ 399,120	\$ 18,897
Accounts Receivable	21,107	24,155	(3,048)
Accrued Investment Income	8,124	9,605	(1,481)
Prepaid Expenses	12,381	11,725	656
Investments	2,646,424	2,573,693	72,731
Capital Assets	<u>4,568,237</u>	<u>4,423,104</u>	<u>145,133</u>
Total Assets	\$7,674,290	\$7,441,402	\$ 232,888
Liabilities	<u>66,122</u>	<u>65,886</u>	<u>236</u>
Total Net Position	<u>\$7,608,168</u>	<u>\$7,375,516</u>	<u>\$ 232,652</u>

The Statement of Activities presents information regarding changes during the fiscal year ended June 30, 2013. 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>2013</u>	<u>2012</u>	<u>2013/2012</u> <u>Change</u>
Additions:			
Governmental Activities	\$ 1,328,037	\$ 1,735,771	\$ (407,734)
General	<u>181,053</u>	<u>(67,480)</u>	<u>248,533</u>
Total	<u>\$ 1,509,090</u>	<u>\$ 1,668,291</u>	<u>\$ (159,201)</u>
Deduction:			
Governmental Activities	<u>\$ 1,276,438</u>	<u>\$ 1,802,859</u>	<u>\$ (526,421)</u>
Total	<u>\$ 1,276,438</u>	<u>\$ 1,802,859</u>	<u>\$ (526,421)</u>
Change in net position	<u>\$ 232,652</u>	<u>\$ (134,568)</u>	<u>\$ 367,220</u>

Overall, there is an increase in net position as reflected on the Statement of Activities of \$232,652 at June 30, 2013, compared to a decrease of \$(134,568) at June 30, 2012.

Capital Assets

Capital assets of the Foundation include land, buildings, and equipment, which are used in the operation and maintenance of the Torstenson Farm Property. The Foundation maintains an inventory of capital assets which have been accumulated over time. Governmental activities net capital assets for the fiscal years ended June 30, 2013 and June 30, 2012 were \$4,568,237 and \$4,423,104, respectively. Excess current year capital asset additions over current year depreciation expense have caused the net book value of capital assets to increase for the fiscal year ended June 30, 2013. The Foundation completed the construction of the new Education Center, causing a significant increase in capital asset additions for the fiscal year ended June 30, 2013.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF NET POSITION
JUNE 30, 2013

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 418,017
Accounts receivable	21,107
Accrued investment income	8,124
Prepaid expense	12,381
Total current assets	459,629
Noncurrent Assets:	
Investments	2,646,424
Capital assets, net	4,568,237
	7,674,290
TOTAL ASSETS	
LIABILITIES:	
Current Liabilities:	
Accounts payable	46,180
Accrued expenses	19,942
TOTAL LIABILITIES	66,122
NET POSITION:	
Restricted for:	
Natural resources and recreation	1,377,198
Endowment-nonexpendable	125,800
Unrestricted	1,536,933
Net investment in capital assets	4,568,237
TOTAL NET POSITION	\$ 7,608,168

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, 2013

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUE</u>			<u>NET (EXPENSE) REVENUE</u>
		<u>CHARGES FOR GOODS</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
Environment and Business					
Regulation:					
General administrative	\$ 437,139	\$ -	\$ 424,470	\$ -	\$ (12,669)
Natural resources and recreation	839,299	13,650	867,217	22,700	64,268
 Total Governmental Activities	 <u>\$ 1,276,438</u>	 <u>\$ 13,650</u>	 <u>\$ 1,291,687</u>	 <u>\$ 22,700</u>	 <u>51,599</u>

General Revenue:

Unrestricted realized gain	42,613
Unrestricted investment-unrealized gain	60,219
Unrestricted investment earnings	<u>78,221</u>

Change in Net Position 232,652

Net position-Beginning 7,375,516
Net position-Ending \$ 7,608,168

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, 2013

	<u>SPECIAL REVENUE FUND</u>	<u>PERMANENT FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$ 418,017	\$ -	\$ 418,017
Accounts receivable	21,107	-	21,107
Accrued investment income	8,124	-	8,124
Investments	2,520,624	125,800	2,646,424
Total Assets	<u>\$ 2,967,872</u>	<u>\$ 125,800</u>	<u>\$ 3,093,672</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 46,180	\$ -	\$ 46,180
Accrued expenses	19,942	-	19,942
Total Liabilities	<u>66,122</u>	<u>-</u>	<u>66,122</u>
Fund Balances:			
Nonspendable	-	125,800	125,800
Restricted:			
Natural resources and recreation	1,377,198	-	1,377,198
Unassigned	1,524,552	-	1,524,552
Total Fund Balances	<u>2,901,750</u>	<u>125,800</u>	<u>3,027,550</u>
Total Liabilities and Fund Balances	<u>\$ 2,967,872</u>	<u>\$ 125,800</u>	<u>\$ 3,093,672</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 POSITION
 FOR THE YEAR ENDED JUNE 30, 2013

Total fund balances - governmental funds	\$	3,027,550
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Prepaid assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		12,381
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,568,237
Net position of governmental activities	\$	7,608,168

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, 2013

	SPECIAL REVENUE FUND	PERMANENT FUND	TOTAL
Revenues			
Donations-restricted	\$ 901,442	\$ -	\$ 901,442
Grants and receipts from governments	10,073	-	10,073
Investment income-restricted	-	8,600	8,600
Investment income-unrestricted	78,221	14,100	92,321
Investment income-unrestricted unrealized gain	60,219	-	60,219
Investment income-unrestricted realized gain	42,613	-	42,613
Donations-unrestricted	222,645	-	222,645
Merchandise sales-restricted	13,650	-	13,650
On-behalf payments	158,027	-	158,027
Total Revenues	<u>1,486,890</u>	<u>22,700</u>	<u>1,509,590</u>
Expenditures			
Administrative	279,112	-	279,112
Natural resources and recreation	985,088	500	985,588
On-behalf payments	158,027	-	158,027
Total Expenditures	<u>1,422,227</u>	<u>500</u>	<u>1,422,727</u>
Other Financing Sources (Uses)			
Transfers in	15,344	-	15,344
Transfers out	-	(15,344)	(15,344)
Total Other Financing Sources (Uses)	<u>15,344</u>	<u>(15,344)</u>	<u>-</u>
Net Change in Fund Balances	80,007	6,856	86,863
Fund Balance-Beginning	<u>2,821,743</u>	<u>118,944</u>	<u>2,940,687</u>
Fund Balance-Ending	<u>\$ 2,901,750</u>	<u>\$ 125,800</u>	<u>\$ 3,027,550</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 CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds	\$	86,863
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Changes in prepaid expense:</p>		
Prepaid expense uses current financial resources and is recorded as an expense in the governmental funds.		656
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital assets purchases capitalized		209,389
Fair market value of contributed assets		8,829
Depreciation expense		<u>(73,085)</u>
Change in net position of governmental activities	\$	<u><u>232,652</u></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, 2013

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.

In 2013, the Foundation implemented Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Foundation implemented these standards during the current year; however, GASB Statement No. 60, GASB Statement No. 61, and GASB Statement No. 62 had no impact on the financial statements. The implementation of GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflow of resources.

B. Date of Management's Review

Management has evaluated subsequent events through March 19, 2014, the date when the financial statements were available to be issued.

C. 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 at 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Reporting Entity (Concluded)

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.

D. Basis of Presentation

The accompanying financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). In fiscal year 2013, the Illinois State Comptroller's Office deemed the Foundation immaterial to the operations of the State and does not report it in the State's Comprehensive Annual Financial Report (CAFR). 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. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to inter-fund activities, such as payables, receivables, and transfers. Inter-fund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. All inter-fund transactions between governmental funds are eliminated on 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 government-wide 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 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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

on fund financial statements is on a major governmental fund, each displayed in a separate column.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Concluded)

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.

E. 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. Non-exchange 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. Donations are considered to be measurable and available only when cash is received. Grant revenues are recognized on a cost-reimbursement basis.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Cash Equivalents

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

G. Inventories

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

H. Investments

The Foundation records its investments at fair value in accordance with ASC 820. The Foundation holds investments in marketable equity securities and debt securities.

I. Capital Assets

Capital assets, which consist of land, building and equipment are reported at cost. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated/amortized using the straight-line method.

The capitalization threshold for capital assets is \$5,000 and the estimated useful life is 3-40 years.

J. Construction in Progress

The Foundation maintains assets that are construction in progress. This includes costs incurred during the construction of assets. Those accumulated costs are held in the Construction in Progress category until such time as the project is determined to be "substantially complete" (i.e. ready for its intended use). At that time, the asset is moved to the proper asset category and capitalized and depreciated based on conventions noted above. The only item in the Construction in Progress category at June 30, 2012 was the Torstenson Farm Education Center. During the year ended June 30, 2013, the Education Center met the requirement of being ready for intended use and, therefore, was transferred from the Construction in Progress category to the proper asset category.

K. Contributions

Gifts of cash and other assets received are reported as unrestricted revenue and net position, unless subject to time restrictions. When a donor stipulated time restriction ends, restricted net position is

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

reclassified to unrestricted net position and reported in the statements of activities as net position from restrictions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Contributions (Concluded)

Gifts of land, buildings, equipment, and other long-lived assets are also reported as unrestricted revenue and net position, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net position as unrestricted net position are reported when the long-lived assets are placed in service.

Noncash contributions are recorded at estimated fair value when received.

L. Governmental Fund Balances

Fund balance is the difference between assets and liabilities in a governmental fund. The following types of fund balances may be presented in the Governmental Funds Balance Sheet:

Nonspendable Fund Balance – The portion of a Governmental Fund’s net position that is not available to be spent, either short term or long term, due to either their form or legal restrictions. The Foundation has nonspendable fund balance in the Permanent Fund.

Restricted Fund Balance – The portion of a Governmental Fund’s net position that is subject to external enforceable legal restrictions. The Foundation has fund balance that is restricted for natural resources and recreation in the Special Revenue Fund.

Committed Fund Balance – The portion of a Governmental Fund’s net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Foundation has no committed fund balances.

Assigned Fund Balance – The portion of a Governmental Fund’s net position for which an intended use of resources has been denoted. The Foundation has no assigned fund balances.

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The Foundation has unassigned fund balances in the Special Revenue Fund.

Under the terms of certain agreements, the Foundation funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the Foundation’s policy to first apply restricted funds to such programs, then

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned funds if any.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

M. Net Position

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

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) 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 net position – This consists of net position that does not meet the definition of “restricted” or “invested in capital assets.”

Invested in capital assets – Consists of capital assets, net of accumulated depreciation.

N. 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.

O. Compensated Absences

Full-time employees can earn from 18 to 30 days for vacation, sick leave, or other personal leave for a full year of service, and the unused portion accumulates to a maximum leave time carryover of 48 work days. Accumulated vacation days are paid upon termination, and, therefore, a liability has been accrued based on the employees’ current salary level and includes salary related costs (e.g., social security and medicare tax).

NOTE 2: DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents consist of checking and money market accounts at June 30, 2013.

The Foundation’s cash and cash equivalents had a bank balance of \$380,512 and a carrying balance of \$418,017 at June 30, 2013. Of the total bank balances, \$305,080 was secured by Federal

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Depository Insurance Corporation coverage and \$75,432 was invested in U.S. Treasury securities and repurchase agreements for securities.

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

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). Investments in debt securities and equity securities with readily determinable fair values are carried at fair value based on quoted prices in active markets (all Level 1 measurements).

Investment Summary Schedule

As of June 30, 2013 the Foundation had the following investments and maturities.

Investment Type	Fair Value	Less than 1 Year	1 - 5 Years	6 - 10 Years	More than 10 Years
U.S. Agency Obligations	\$ 9,738	\$ -	\$ 9,738	\$ -	\$ -
Corporate Debt Securities	507,912	15,573	451,091	41,248	-
Total Debt Securities	517,650	<u>\$ 15,573</u>	<u>\$ 460,829</u>	<u>\$ 41,248</u>	<u>\$ -</u>
Certificate of Deposit	101,319				
Corporate Equity Securities	1,538,253				
International Equity Securities	102,140				
Mutual Funds	322,716				
Commodities	38,741				
Real Estate	25,605				
Total Investments	<u>\$2,646,424</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. Interest rate risk can be managed using weighted average maturity (WAM). Weighted average maturity is calculated taking into consideration call dates, prepayment assumptions and other features that affect the actual maturity dates of the securities in the consolidated portfolios. On June 30, 2013, the Foundation's WAM was as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2: DEPOSITS AND INVESTMENTS (CONCLUDED)

B. Investments (Concluded)

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Agency Obligations	\$ 9,738	1.80
Corporate Debt Securities	507,912	2.30
Certificate of Deposit	101,319	4.90
Corporate Equity Securities	1,538,253	0.00
International Equity Securities	102,140	0.00
Mutual Funds	322,716	0.00
Commodities	38,741	0.00
Real Estate	25,605	0.00
	<u>\$ 2,646,424</u>	<u>2.72</u>

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, 2013.

Investment Type	Moody's Quality Rating	Fair Value
Corporate Obligations	A1	\$ 128,215
	A2	41,995
	A3	204,680
	Aa2	41,248
	NR	91,774
Total Corporate Obligations		<u>507,912</u>
Agency Obligations	AAA	<u>9,738</u>
Total Debt Securities		<u>\$ 517,650</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3: RESTRICTED 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.

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 the donation was \$70,219. A donation was made in November 2010 to purchase an additional 4,496 shares, to bring the total holdings of Adams Express Stock to 10,000 shares. 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, 2013 is as follows:

Salaries	\$ 86,791
Benefits	<u>71,236</u>
Total	<u>\$ 158,027</u>

The total of \$158,027 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 revenue and expense.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 eleven years, the Foundation has been awarded nine grants from the Forest Service of the U.S. Department of Agriculture and ten 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 \$7,328,815. In fiscal year 2013, the Foundation paid a total of \$10,815 to Chicago Wilderness Members. Over the past eleven years, the Foundation has received \$7,016,868 for the Chicago Wilderness partners. The Foundation has negotiated a 5%-10% indirect costs rate agreement with the federal funding agencies to cover administrative and other costs of the project. Six of the grants from the U.S. Department of Agriculture and ten of the grants from the Department of the Interior have been closed.

The most recent Department of Agriculture award extends through September 30, 2013.

NOTE 7: ACCOUNTS RECEIVABLE

At June 30, 2013, the Foundation had accounts receivable of \$21,107. This amount consists of \$4,481 in federal grants and \$16,626 in miscellaneous receipts. The Foundation considers all the accounts receivable to be fully collectible.

NOTE 8: 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 five years.

NOTE 9: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9: CAPITAL ASSETS (CONCLUDED)

	Balance July 1, 2012	Additions	Deletions	Reclassification	Balance June 30, 2013
Governmental Activities					
Capital assets not being depreciated					
Land	\$2,968,000	\$ -	\$ -	\$ -	\$ 2,968,000
Construction-in-progress	90,507	218,218	-	(308,725)	-
Total capital assets not being depreciated	3,058,507	218,218	-	(308,725)	2,968,000
Capital assets being depreciated:					
Buildings	1,365,000	-	-	308,725	1,673,725
Equipment	123,286	-	-	-	123,286
Total capital assets being depreciated	1,488,286	-	-	308,725	1,797,011
Less accumulated depreciation:					
Buildings	(80,979)	(50,708)	-	-	(131,687)
Equipment	(42,710)	(22,377)	-	-	(65,087)
Total accumulated depreciation	(123,689)	(73,085)	-	-	(196,774)
Governmental Activities - Capital Assets, Net	<u>\$4,423,104</u>	<u>\$ 145,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,568,237</u>

Capital assets are being depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2013 of \$73,085 was charged to the governmental activities on the government-wide Statement of Activities.

Certain land, buildings, and equipment with a carrying value of \$4,332,597 were acquired through a donation from an unaffiliated foundation. The donation of the Torstenson Farm property carried stipulations that the Foundation could not sell land, but was able to sell buildings and equipment components as needed. The Foundation uses the property to coordinate and provide youth conservation education activities.

NOTE 10: INTERFUND ACTIVITY

Interfund transfers in/out to other fund balances at June 30, 2013, consists of the following individual transfers in/out to other funds in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10: INTERFUND ACTIVITY (CONCLUDED)

	<u>Transfer In</u>	<u>Transfer Out</u>
Special Revenue Fund	\$ 15,344	\$ -
Permanent Fund	-	15,344
	<u>\$ 15,344</u>	<u>\$ 15,344</u>

Interfund transfers were made to allocate money market cash accounts to the appropriate fund.

NOTE 11: DONOR RESTRICTED ENDOWMENTS

The State of Illinois adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective June 30, 2009. UPMIFA added certain prudent spending measures to the Uniform Management of Institutional Funds Act. In accordance with UPMIFA, the Board of Directors of the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expended total return from income and the appreciation of investments; other resources of the Foundation; and the investment policies of the Foundation.

Under the terms of the endowment, and consistent with State statutes, the Foundation is authorized based on an income-only policy to spend only the money earned on debt (interest) or received as dividends for activities which support the Foundation's mission and goals.

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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:

- Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) - Locally-Held Funds
- Schedule of Changes in Property
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Account Balances
- Analysis of Accounts Receivable and Accrued Investment Income

Analysis of Operations (Unaudited):

- Agency Functions and Planning Program (Unaudited)
- Average Number of Employees and Foundation Members (Unaudited)
- Comparative Schedule of Administrative Expenditures (Unaudited)
- Memorandums of Understanding (Unaudited)
- Service Efforts and Accomplishments (Unaudited)
- Schedule of Indirect Cost Reimbursements (Unaudited)

The accountant's 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 auditor's 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 accountant's report 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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents, beginning	\$ 399,120	\$ 554,692
Receipts:		
Donations	1,124,087	1,046,842
Grants and receipts from other governments	10,073	398,057
Merchandise sales	13,650	33,026
Investment income	203,753	(68,780)
Sale of investments	625,569	1,522,806
Disbursements:		
General administrative	(279,112)	(309,367)
Programs	(985,588)	(1,267,067)
Purchase of investments	(693,535)	(1,511,089)
Cash and cash equivalents, ending	<u>\$ 418,017</u>	<u>\$ 399,120</u>

ILLINOIS CONSERVATION FOUNDATION
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Schedule of Changes in Property
For the Years Ended June 30, 2013 and 2012

	<u>Building and Improvements</u>	<u>Equipment</u>	<u>Land</u>	<u>Construction- in-Progress</u>	<u>Total</u>
Balance at June 30, 2012	\$ 1,365,000	\$ 123,286	\$ 2,968,000	\$ 90,507	\$ 4,546,793
Additions	-	-	-	218,218	218,218
Retirements and disposals	-	-	-	-	-
Reclassifications	<u>308,725</u>	<u>-</u>	<u>-</u>	<u>(308,725)</u>	<u>-</u>
Balance at June 30, 2013	<u>\$ 1,673,725</u>	<u>\$ 123,286</u>	<u>\$ 2,968,000</u>	<u>\$ -</u>	<u>\$ 4,765,011</u>

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Significant Variations in Expenditures
For the Years Ended June 30, 2013 and 2012

Program	2013	2012	Increase (Decrease)	%
(1) Special Events - Celebrity Quail Hunt	\$ 24,089	\$ 39,522	\$ (15,433)	-39.0%
(2) Hall of Fame Dinner - Peoria	22,754	-	22,754	100.0%
(3) Torstenson Property	438,043	327,408	110,635	33.8%
(4) Law Enforcement	49,085	10,430	38,655	370.6%
(5) Forestry: Tree Planting	13,199	24,641	(11,442)	-46.4%
(6) Morrison-Rockwood State Park	8,996	999	7,997	800.5%
(7) Sportsman Raffle	41,296	61,764	(20,468)	-33.1%
(8) FOID Cards	16,205	3,525	12,680	359.7%
(9) WSRC Skeet House Sponsorship	5,941	28,986	(23,045)	-79.5%
(10) General and Administrative Expenses	279,112	309,367	(30,255)	-9.8%
(11) Federal Funds	10,815	392,279	(381,464)	-97.2%
(12) ENTICE Program	52,581	34,004	18,577	54.6%
(13) Illinois and Michigan Trail Projects	73,579	48,600	24,979	51.4%
(14) Chad Morgenthaler Bass Tournament	17,428	-	17,428	100.0%

- (1) Special Events – Celebrity Quail Hunt decreased \$15,433 or 39.0% in fiscal year 2013. Fewer funds were spent on silent auction items for the fiscal year 2013 event.
- (2) Hall of Fame Dinner - Peoria increased \$22,754 or 100.0% in fiscal year 2013. Fiscal year 2013 was the first year for the Hall of Fame Dinner in the Peoria, Illinois area.
- (3) Torstenson Property increased \$110,635 or 33.8% in fiscal year 2013. The Foundation completed the construction of the Education Center at the Torstenson Farm Property. More of the expenses for the Education Center were incurred in fiscal year 2013 than in fiscal year 2012.

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Significant Variations in Expenditures (Concluded)
For the Years Ended June 30, 2013 and 2012

- (4) Law Enforcement increased \$38,655 or 370.6% in fiscal year 2013. The Foundation purchased 125 night sights and there were unexpected repairs to the cabin boat.
- (5) Forestry: Tree Planting decreased \$11,442 or 46.4% in fiscal year 2013. The Foundation received a donation in a prior fiscal year to plant trees. The Foundation is nearing the end of the program's resources and is slowly drawing down the funds each year.
- (6) Morrison-Rockford State Park increased \$7,997 or 800.5% in fiscal year 2013. The Foundation purchased a snow plow, salt spreader, chainsaw, and various tools for use at the State park.
- (7) Sportsman Raffle decreased \$20,468 or 33.1% in fiscal year 2013. In fiscal year 2013, only 793 raffle tickets were sold as opposed to 1,134 tickets sold in fiscal year 2012. Therefore, the expense for the raffle payouts was decreased.
- (8) FOID Cards increased \$12,680 or 359.7% in fiscal year 2013. The Foundation purchased NASP archery equipment that was sold to various schools. The Foundation also purchased additional ammunition and a computer.
- (9) WSRC Skeet House Sponsorship decreased \$23,045 or 79.5% in fiscal year 2013. Spending was reduced due to no new revenue sources for the project in fiscal year 2013.
- (10) General Administrative Expenses decreased \$30,255 or 9.8% in fiscal year 2013. In fiscal year 2013, an effort was made to cut spending from the General Administrative account. In addition, the Executive Director's contract expired on May 30, 2013 and was not renewed.
- (11) Federal Funds decreased \$381,464 or 97.2% in fiscal year 2013. The grants that the Foundation participated in were closed out during the current fiscal year, with no new funding expected in future years.
- (12) ENTICE Program increased \$18,577 or 54.6% in fiscal year 2013. The program expenditures are based on a school calendar year and not a state fiscal year. Additional expenditures will be incurred in the fall of 2013 concerning this program.
- (13) Illinois and Michigan Trail Projects increased \$24,979 or 51.4% in fiscal year 2013. The increase in program expenditures is due to various small construction projects along the trail funded from the Exelon settlement.
- (14) Chad Morgenthaler Bass Tournament increased \$17,428 or 100.0% in fiscal year 2013. This was the first year of the fishing tournament.

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Significant Variations in Receipts
For the Years Ended June 30, 2013 and 2012

Program	2013	2012	Increase (Decrease)	%
(1) Grants and Receipts from Governments	\$ 10,073	\$ 398,057	\$ (387,984)	-97.5%
(2) Donations - Restricted	901,442	932,393	(30,951)	-3.3%
(3) Investment Income - Unrestricted Unrealized Gain (Loss)	60,219	(139,447)	199,666	143.2%
(4) Investment Income - Unrestricted Realized Gain (Loss)	42,613	(10,766)	53,379	495.8%
(5) Investment Income - Restricted	8,600	6,000	2,600	43.3%
(6) Donations - Unrestricted	222,645	114,449	108,196	94.5%
(7) On-behalf Payments	158,027	259,146	(101,119)	-39.0%
(8) Investment Income - Unrestricted	92,321	75,433	16,888	22.4%
(9) Merchandise Sales - Restricted	13,650	33,026	(19,376)	-58.7%

- (1) Grants and Receipts from Governments decreased \$387,984 or 97.5% in fiscal year 2013. The decrease was due to federal programs being closed out in the current year.
- (2) Donations - Restricted decreased \$30,951 or 3.3% in fiscal year 2013. The decrease was due to fewer donations received in fiscal year 2013 for restricted purposes.
- (3) Investment Income - Unrestricted Unrealized Gain (Loss) increased \$199,666 or 143.2% in fiscal year 2013. The increase was due to a more stable financial market.
- (4) Investment Income - Unrestricted Realized Gain (Loss) increased \$53,379 or 495.8% in fiscal year 2013. The increase was due to fluctuations in timing of realized gains and losses.
- (5) Investment Income - Restricted increased \$2,600 or 43.3% in fiscal year 2013. This increase was the result of additional restricted investment purchases during the current fiscal year.

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Analysis of Significant Variations in Receipts (Concluded)
For the Years Ended June 30, 2013 and 2012

- (6) Donations - Unrestricted increased \$108,196 or 94.5% in fiscal year 2013. The increase was due to a draw down from the Foundation's investment accounts.
- (7) On-behalf Payments decreased \$101,119 or 39.0% in fiscal year 2013. The decrease was due to the transfer of an Illinois Department of Natural Resources employee.
- (8) Investment Income - Unrestricted increased \$16,888 or 22.4% in fiscal year 2013. The increase was due to a more stable financial market in 2013.
- (9) Merchandise Sales - Restricted decreased \$19,376 or 58.7% in fiscal year 2013. The decrease was caused by a decrease in the sale of deer and turkey pins in the current year.

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Analysis of Significant Account Balances
For the Years Ended June 30, 2013 and 2012

Account	2013	2012	Increase (Decrease)	%
(1) Cash and Cash Equivalents	\$ 418,017	\$ 339,120	\$ 78,897	23.3%
(2) Accounts Receivable	21,107	24,155	(3,048)	-12.6%
(3) Investments	2,646,424	2,633,693	12,731	0.5%
(4) Accounts Payable	46,180	37,752	8,428	22.3%
(5) Accrued Expenses	19,942	28,134	(8,192)	-29.1%

- (1) Cash and cash equivalents increased \$78,897 or 23.3% in fiscal year 2013. The increase was due to increased donations for the Blackhawk Restoration project.
- (2) Accounts receivable decreased \$3,048 or 12.6% in fiscal year 2013. The decrease was due to less program registration fees being collected near year-end.
- (3) Investments, net of realized and unrealized losses, increased \$12,731 or 0.5% in fiscal year 2013. The increase was due to an improved market near the end of fiscal year 2013.
- (4) Accounts payable increased \$8,428 or 22.3% in fiscal year 2013. The increase was due to work completed for the Dynergy Midwest Settlement project that was payable at year end.
- (5) Accrued expenses decreased \$8,192 or 29.1% in fiscal year 2013. The decrease was due to the Foundation recording the vacation accrual for only one employee, rather than for two in the prior year.

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Analysis of Accounts Receivable and Accrued Investment Income
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
(1) Accounts Receivable	\$ 21,107	\$ 24,155	\$ (3,048)
(2) Accrued Investment Income	8,124	9,605	(1,481)

(1) Accounts receivable consists of a) the proceeds received from the sale of a raffle ticket that were not deposited until July 2013; b) amounts due from restitution payments; c) amounts due from the Grantor Agency for federal expenditures incurred in fiscal year 2013, but not reimbursed until July 2013; and d) donations and contributions received for various projects and programs made in fiscal year 2013, but not received and deposited until July 2013.

a) Under 60 days old-	\$ 100
b) Under 60 days old-	236
c) Under 60 days old-	4,481
d) Under 60 days old-	16,290
	<u>\$ 21,107</u>

(2) Accrued investment income consists of interest earned on cash equivalents for the year ended June 30, 2013, but not remitted until July 2013.

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Agency Functions and Planning Program
June 30, 2013
(Unaudited Disclosures by Agency Management)

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:

- 1 appointment designated by Statute
- 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.

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Agency Functions and Planning Program
June 30, 2013
(Unaudited Disclosures by Agency Management)

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.

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Average Number of Employees and Foundation Members
(Unaudited Disclosures by Agency Management)

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,

<u>Fiscal Year</u>	<u>Employees</u>	<u>Foundation Members</u>
2011	1	12
2012	2	11
2013	3	12

ILLINOIS CONSERVATION FOUNDATION
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Comparative Schedule of Administrative Expenditures
For the Years Ended June 30, 2013 and 2012
(Unaudited Disclosures by Agency Management)

	2013	2012	Increase (Decrease)
Accounting	\$ 54,512	\$ 33,777	\$ 20,735
Director's Salary	121,971	150,731	(28,760)
General Administrative	102,629	124,859	(22,230)
Total Administrative Expenditures	\$ 279,112	\$ 309,367	\$ (30,255)
 TOTAL EXPENDITURES	 \$ 1,422,727	 \$ 1,835,580	
 % of Administrative Expenditures to Total Expenditures	 19.62%	 16.85%	

ILLINOIS CONSERVATION FOUNDATION
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Memorandums of Understanding
(Unaudited Disclosures by Agency Management)

The Illinois Conservation Foundation (Foundation) enters into memorandums of understanding (MOU) on an ongoing basis. The MOU is utilized if the Foundation is involved in a project with other states, State agencies, or local governments. The memorandum assigns responsibilities in the early planning stages of a project and as the project develops, the Foundation would execute one or more agreements with specific costs based on the MOU. Details of significant agreements during the examination are provided below:

ILLINOIS DEPARTMENT OF NATURAL RESOURCES

The Foundation entered into an MOU with the Illinois Department of Natural Resources to assist the Foundation with administration of the 2012 Illinois Sportsman's Raffle.

ILLINOIS DEPARTMENT OF NATURAL RESOURCES

The Foundation entered into an MOU with the Illinois Department of Natural Resources to assist the Foundation with administration of the 2013 Illinois Sportsman's Raffle and the Browning Cynergy Gun 50 Ticket Raffle.

ILLINOIS DEPARTMENT OF NATURAL RESOURCES

The Foundation entered into an MOU with the Illinois Department of Natural Resources to present the Foundation and the Illinois Department of Natural Resources as two separate and distinct entities. The MOU outlines assistance provided to the Foundation in the form of space assistance, office supplies and office equipment support, staffing commitments, quarterly reporting assistance, and vehicle use.

UNITED STATES ARMY CORPS OF ENGINEERS

The Foundation entered into an MOU with the United States Army Corps of Engineers, Rock Island District, to collaborate on the installation of a conveyor belt over the Illinois and Michigan Canal west of the Abraham Lincoln Bridge and east of the former Illinois Central Railroad Bridge located in LaSalle County, Illinois.

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

Service Efforts and Accomplishments
(Unaudited Disclosures by Agency Management)

- The Foundation administers the Becoming an Outdoor Woman Program. The program educates women about our natural resources, including camping and cooking in the outdoors.
- The Foundation coordinated the fundraising for various youth programs, scholarships, and special events.
- The Foundation issued 66 Illinois Biodiversity Field Trip grants totaling \$52,581.
- In June 2012, the Foundation began the construction of a Learning Center at the Torstenson Family Youth Conservation Education Center. The Learning Center was completed in fiscal year 2013 at a total cost of \$257,500.

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

Schedule of Indirect Cost Reimbursements
For the Years Ended June 30, 2013 and 2012
(Unaudited Disclosures by Agency Management)

The indirect cost reimbursements are based on rates negotiated with the U.S. Department of Interior and the U.S. Department of Agriculture. These indirect cost reimbursements provide funding for allowable program costs that are incurred for a common purpose and are not assignable to specific cost objectives. Indirect cost reimbursements are deposited into the Foundations checking account. The following are reimbursements deposited during fiscal year 2013 and 2012:

Federal Programs/Grants	<u>2013</u>	<u>2012</u>
U.S. Department of Interior		
Fish and Wildlife Enhancement	\$ 1,131	\$ 5,790
U.S. Department of Agriculture		
Cooperative Forestry Assistance	<u>-</u>	<u>4,260</u>
Total Indirect Cost Reimbursements	<u>\$ 1,131</u>	<u>\$ 10,050</u>