

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

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

For The Year Ended June 30, 2005

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

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

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

For The Year Ended June 30, 2005

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

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

For The Year Ended June 30, 2005

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FOUNDATION OFFICIALS

ILLINOIS CONSERVATION FOUNDATION

Board of Directors:

Brunsvold, Joel – Chairman (through 12/31/05)
Appointment designated by statute

Flood, Sam – Chairman (Current)
Appointment designated by statute

Ducey, Barbara – Secretary
Appointed by Senator Jones

Russell, Robert Dr. – Treasurer
Appointed by Senator Philip

Vacant
To be appointed by Representative Madigan

Clark, Mark
Appointed by Governor Blagojevich

Vacant
To be appointed by Representative Cross

Keck, Fred
Appointed by Senator Philip

Kidd, John Jr.
Appointed by Senator Jones

Klockau, Christopher J.
Appointed by Representative Madigan

Lyons, Arthur
Appointed by Representative Daniels

Presbrey, Kim
Appointed by Governor Blagojevich

Rodeen, Gerald
Appointed by Governor Edgar

Wren, Richard T. Jr.
Appointed by Governor Edgar

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

Committees were as follows:

Executive Committee

Brunsvold, Joel – Chairman of the Board (through 12/31/05)
Flood, Sam – Chairman of the Board (Current)
Ducey, Barbara
Klockau, Christopher J.
Russell, Robert Dr.
Wren, Richard T. Jr.

Development Committee

Vacant
Kidd, John Jr.
Lyons, Arthur
Rodeen, Gerald

Finance & Endowment Committee

Russell, Robert Dr. – Chairman
Keck, Fred
Lyons, Arthur

Special Events Committee

Presbrey, Kim
Keck, Fred
Clark, Mark
Kidd, John Jr.

Strategic Planning Committee

Rodeen, Gerald – Chairman

Planned Giving Committee

Lyons, Arthur
Russell, Robert Dr.

Liaisons to Natural Resources Advisory Board

Wren, Richard T. Jr.

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:

Jess Hansen

Chief Fiscal Officer:

Chief Fiscal Officer services provided on contract by the public accounting firm of Zumbahlen, Eyth, Surratt, Foote & Flynn, Ltd.



November 1, 2005

Ginoli & Company Ltd, CPA's
411 Hamilton Blvd., Ste. 1616
Peoria, IL 61602-1104

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, 2005. Based on this evaluation, we assert that during the year ended June 30, 2005, the Foundation has materially complied with the assertions below.

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

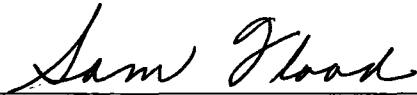
*For a brief moment in time, the earth is ours - not to waste or own, but to share with creatures, great and small.
The role of the Illinois Conservation Foundation and its partners is to preserve and enhance our precious natural resources by supporting and fostering
ecological, educational, and recreational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

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

E. The money or negotiable securities or similar assets handled by the Foundation on behalf of the State or held in trust by the Foundation have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours truly,

ILLINOIS CONSERVATION FOUNDATION

A handwritten signature in cursive script that reads "Sam Flood". The signature is written in dark ink and is positioned above a horizontal line.

Sam Flood, Chairman

COMPLIANCE REPORT

SUMMARY

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

AUDITORS' REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	10	2
Repeated findings	2	2
Prior recommendations implemented or not repeated	-	1

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
05-1	18-19	Non collateralized bank deposits
05-2	20	Financial budget not prepared
05-3	21-22	Weakness in the accounting records
FINDINGS (STATE COMPLIANCE)		
05-4	23-25	Noncompliance with statutory mandates
05-5	26-27	Purchasing procedures not followed
05-6	28-29	Statutorily mandated personnel requirements not followed
05-7	30	Minutes of committee meetings not being maintained
05-8	31-32	Credit card purchases not following established procedures

FINDINGS (STATE COMPLIANCE) - continued

05-9	33	Equipment purchase not recorded on State property records
05-10	34-35	Automobile lease did not contain all required disclosures and payment information

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Foundation personnel at an exit conference on April 18, 2006. Attending were Orville Frank and Tony Fiske of Ginoli & Company Ltd, R. Paul Usherwood of the Office of the Auditor General, Jess Hansen and John Bandy of the Foundation, and Bill Richardson of the Illinois Department of Natural Resources. Responses to the recommendations were provided by the Chairman of the Foundation's Board of Directors in a letter dated May 4, 2006.



**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the 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, 2005. 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 public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Foundation has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Foundation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Foundation are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Foundation on behalf of the State or held in trust by the Foundation have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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 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 aforementioned requirements during the year ended June 30, 2005. However, the results of our procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 05-1, 05-4 through 05-8 and 05-10. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Foundation's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 05-1, 05-2, 05-3, 05-7 and 05-9.

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Foundation as of and for the year ended June 30, 2005, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 1, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Foundation. The 2005 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Foundation's basic financial statements for the year ended June 30, 2004. In our report dated November 3, 2004, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2004 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004, taken as a whole.

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

GINOLI & COMPANY LTD
GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
November 1, 2005



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Illinois Conservation Foundation (A Component Unit of the State of Illinois) (Foundation) as of and for the year ended June 30, 2005, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. A reportable condition involves a matter coming to our attention relating to a significant deficiency in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Foundation's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 05-1, 05-2 and 05-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are a material weakness. In addition, we noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings and questioned costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted instances of noncompliance which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings and questioned costs. We also noted certain other matters which we have reported to management of the Foundation in a separate letter dated April 20, 2006.

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 federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

GINOLI & COMPANY LTD
GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
November 1, 2005



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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Illinois Conservation Foundation (A Component Unit of the State of Illinois) (Foundation) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

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

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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 federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
November 1, 2005

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____yes Xno
- Reportable conditions identified that are not considered to be material weaknesses? Xyes _____none reported

Non compliance material to financial statements noted? _____yes Xno

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____yes Xno
- Reportable conditions identified that are not considered to be material weaknesses? _____yes Xnone reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____yes Xno

Identification of major program:

CFDA Number

10.664

Name of Federal Program or Cluster

Cooperative Forestry Assistance

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

Auditee qualified as low-risk auditee? Xyes _____no

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

05-1. **FINDING** Bank Balances In Excess Of The FDIC Insurance Limit Were Not Protected By Collateral Pledged By The Banks

During our testing of cash balances, we noted the Foundation did not take timely action during fiscal year 2005 to collateralize (protect) bank balances in excess of the FDIC insurance limit of \$100,000.

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

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

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

The Foundation established a separate insured account (sweep account) on June 1, 2005. With the sweep account, funds in excess of the FDIC insurance limit are transferred (swept) from the Foundation's other accounts each evening to the sweep account. Our testing identified that prior to the sweep account being established a total of \$90,082 in bank balances were in excess of the FDIC insurance limit at May 31, 2005.

Failure to ensure bank balances are properly protected subjects Foundation funds to a risk of loss in the event of failure of the bank in which the Foundation funds are deposited (Finding Code No. 05-1, 04-1, 03-1).

RECOMMENDATION

We recommend the Foundation continue the use of the sweep account to provide protection for their bank balances.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

- 05-1. **FINDING** Bank Balances In Excess Of The FDIC Insurance Limit Were Not Protected By Collateral Pledged By The Banks - continued

FOUNDATION RESPONSE

The Foundation will adhere to the requirements of The State Officers and Employees Money Disposition Act (Disposition Act). The Foundation has operated on the assumption that the Foundation is not a State agency and that the Act does not apply; but rather is a separate and distinct corporation formed pursuant to the General Not for Profit Corporation Act of 1986 and therefore not an agency of the Executive Department of the State government as required by the Disposition Act.

The Foundation will conform its policies to the Auditor General's analysis. The Foundation has taken actions to reduce risk by establishing a separate sweep account as a matter of sound business practice. In addition to following the Disposition Act the Foundation will continue the use of the sweep account.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

05-2. **FINDING** Financial Budget For Fiscal Year 2005 Was Not Prepared

The Illinois Conservation Foundation (Foundation) did not prepare a financial budget for the Foundation's fiscal year 2005 projected revenues and expenses. The Foundation received \$2,449,054 from contributors, grantors and other sources during fiscal year 2005 and spent \$3,484,217 during fiscal year 2005 on various projects, grants and general administration of the Foundation.

The Foundation's Operating Budget procedures dated October 1995, require the Foundation to prepare an annual budget. Per the procedures the Chief Fiscal Officer is to make projections of operating expenses, and the Executive Director will provide information so that projections can be made for program expenditures and capital expenditures. The budget should then be presented to the Foundation's Board of Directors for discussion, amendment and approval. The budget should be presented to the Board of Directors at such a time as it can be approved prior to the start of the fiscal year for which it applies. In addition, generally accepted accounting principles set forth that governmental units should prepare a comprehensive annual budget covering all funds for each fiscal year.

Failure to prepare an annual budget is non-compliance with the Foundation's procedures and is contrary to generally accepted accounting principles.

Budgeting is considered an essential element of an entity's financial planning, control and evaluation process. By not preparing and following a budget, the Foundation runs the risk of incurring unnecessary expenditures, and of not using their resources in the most efficient manner. (Finding Code No. 05-2)

RECOMMENDATION

We recommend the Foundation management prepare an annual budget and submit it to the Board of Directors on a timely basis for approval.

FOUNDATION RESPONSE

The Foundation agrees that a budget should have been approved by the Board for fiscal year 2005. A proposed budget was presented to the Board for FY05, but was not formally adopted by the Board. The Foundation's fiscal officer resigned in early FY05 and was not replaced until the first quarter of fiscal year 2006. In the interim the Foundation engaged an accounting firm to perform the accounting duties for the Foundation, which included financial reports and all related fiscal documents requiring Board approval. The Foundation recently hired a highly experienced fiscal officer to ensure compliance with fiscal requirements.

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

05-3. **FINDING** Weaknesses In The Foundation's Accounting Records And Preparation Of The Year End Financial Statements

During our audit of the Illinois Conservation Foundation's (Foundation) June 30, 2005 financial statements, we recommended extensive adjustments and corrections. Several of the problems noted were as follows:

- As a result of audit procedures performed, we recommended thirteen audit adjustments to various accounts within the Foundation's financial records for a total amount of \$689,222. One particular adjustment was to correct a misposting of \$450,000, while \$144,687 of other adjustments were to record various accruals required to be made at the end of the year.
- The initial drafts of the Foundation's financial statements either lacked or were deficient regarding certain required financial statement disclosures. The most significant omissions and deficiencies related to disclosures regarding the Foundation's deposits, investments and reclassifications of unreserved and reserved fund balance amounts. The required Management's Discussion and Analysis (MD&A) section of the financial statements was provided two weeks after the initial draft of the financial statements was received.

The Foundation is required to prepare annual financial statements of its financial activity to comply with reporting requirements regarding federal grants and other statutory entities. The Foundation, under its enabling legislation, 20 ILCS 880/15, is also required to have a financial audit in compliance with the Illinois State Auditing Act. It is the responsibility of the Foundation to maintain their accounting records and prepare their financial statements in accordance with generally accepted accounting principles, (GAAP), and that the accounting records and financial statements be materially free of errors and omissions.

In addition, the Fiscal Control and Internal Auditing Act, (FCIAA) (30 ILCS 10/3001), requires all State agencies to establish and maintain a system of internal fiscal control to provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of amounts and reliable financial reports. FCIAA (30 ILCS 10/1003(b)) refers to the Illinois State Auditing Act for the definition of a State Agency. Per the Illinois State Auditing Act (30 ILCS 5/1-7), 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 FCIAA, the definition of a State Agency as noted in the Illinois State Auditing Act and how the Foundation was created, we determined the Foundation should be following the FCIAA requirements.

Foundation management indicated the errors and omissions in the accounting records and financial statements are a result of the Foundation maintaining their financial information on the cash basis.

Errors and omissions in the maintenance of the Foundation's accounting records and delays in the preparation of the annual financial statements leads to the use of additional resources in completing the annual audit. The Foundation also leaves itself at risk of presenting information that is not materially correct. (Finding Code No. 05-3)

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

- 05-3. **FINDING** Weaknesses In The Foundation's Accounting Records And Preparation Of The Year End Financial Statements - continued

RECOMMENDATION

We recommend the Foundation devote sufficient resources to its financial accounting function such that the financial information is properly recorded and accounted for to permit the preparation of reliable and timely financial statements.

FOUNDATION RESPONSE

The Foundation agrees. The Foundation did not have a fiscal officer during fiscal year 2005. The Foundation contracted with an accounting firm throughout the fiscal year 2005 to perform the day-to-day duties associated with the accounting function. The original agreement with the firm did not include preparation of the financial statements and had to be expanded, which delayed the completion of the year-end reporting. A fiscal officer was hired during fiscal year 2006 to ensure financial statements are prepared in accordance with generally accepted accounting principles and submitted on a timely basis.

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

05-4. **FINDING** Noncompliance With Statutory Mandates

As part of our engagement we tested the Illinois Conservation Foundation's (Foundation) compliance with statutory mandates. We identified three instances, in which through our interpretation of the statutory mandates, the Foundation should be complying.

First, we noted the Foundation did not file its annual certification of their systems of internal control with the Office of the Auditor General by May 1, 2005 as required by the Fiscal Control and Internal Auditing Act (FCIAA). The Foundation had not filed the annual certification as of the end of fieldwork for this engagement. The FCIAA (30 ILCS 10/3003) notes that all State Agencies shall file the required certification. FCIAA goes on to refer to the Illinois State Auditing Act (30 ILCS 5/1-7) for the definition of a State Agency. 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 FCIAA, the definition of a State Agency as noted in the Illinois State Auditing Act and how the Foundation was created, we determined the Foundation should be filing the required certification. Foundation management indicated they had not been filing the certification because they did not interpret the statute to apply to them.

Second, we noted the Foundation was not filing documentation of the establishment of their locally held funds/accounts or quarterly reports on locally held fund activity with the Office of the State Comptroller. The Foundation has three locally held funds/accounts which are held outside the State Treasury. The Office of the State Comptroller's Statewide Accounting Management System Procedure Manual (SAMS Manual) section 09.10.40 notes that Agencies establishing a locally held fund must notify the Office of the Comptroller of the establishment of such a fund. In addition, (15 ILCS 405/16) of the State Comptroller Act prescribes the form and requires the filing of quarterly fiscal reports by each State Agency for locally held funds.

The State Comptroller Act (15 ILCS 405/7) defines State Agencies for purposes of the State accounting system. The definition includes "public corporations." A "public corporation" is defined in Black's Law Dictionary as "a corporation that is created by the state as an agency in the administration of civil government" and as "a government-owned corporation that engages in activities that benefit the general public, usually while remaining financially independent." Our interpretation is that the Foundation meets the definition of a public corporation and therefore should comply with the locally held fund requirements. We inquired of management at the Office of the State Comptroller as to if it was their interpretation that the Foundation should be following the locally held fund's requirements. They indicated that based on their interpretation the Foundation should be following the statutes and SAMS Manual procedures relating to locally held funds.

Foundation management noted they do not believe the locally held fund requirements apply to them as the Foundation was created as a not-for-profit corporation under the General Not for Profit Corporation Act of 1986. Foundation management indicated that defining the Foundation as a "public corporation" for purposes of the State Comptroller Act would contradict the clear intent of the legislature to provide for the creation of a not-for-profit corporation under the General Not for Profit Corporation Act of 1986.

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

05-4. **FINDING** Noncompliance With Statutory Mandates - continued

Third, we noted the Foundation was not filing copies of their grants in excess of \$10,000 with the Office of the Comptroller as required by the Illinois Procurement Code (30 ILCS 500/1-10(b) (2) and 30 ILCS 500/20-80(b).

The Illinois Conservation Foundation Act (Act), (20 ILCS 880/15), as amended by Public Act 92-797, effective August 15, 2002 notes, "Foundation procurement is exempt from the Illinois Procurement Code when **only** private funds are used for procurement expenditures (emphasis added)."

During fiscal year 2005 the Foundation received approximately \$1.269 million of federal grant funds. The majority of the grant funds were received from the U.S. Department of Agriculture and the U.S. Department of Interior and were passed through to sub-grantees. Federal funds from these governmental entities maintain their public fund identity until they are expended for goods or services; therefore, we believe the portion of the Illinois Procurement Code relating to the filing of grants in excess of \$10,000 would be applicable to these federally-funded grants. The Foundation awarded 15 grants in excess of \$10,000 during fiscal year 2005 to sub-grantees.

Foundation management indicated the language to exempt the Foundation from the Illinois Procurement Code when private funds are used for procurement expenditures was added to clarify that the Foundation is exempt from the Illinois Procurement Code.

Failure to comply with the Fiscal Control and Internal Auditing Act, State Comptroller Act and the Illinois Procurement Code are violations of statutorily mandated responsibilities (Finding Code No. 05-4, 04-2, 03-2).

RECOMMENDATION

We recommend the Foundation either comply with the applicable requirements of the Fiscal Control and Internal Auditing Act, State Comptroller Act and the Illinois Procurement Code, or seek a formal written interpretation from the State of Illinois Office of the Attorney General regarding the applicability of the above statutes to the Foundation.

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

05-4. **FINDING** Noncompliance With Statutory Mandates - continued

FOUNDATION RESPONSE

The Department of Natural Resources has sought an interpretation from the State of Illinois Office of the Attorney General regarding the Foundation's status as a State agency. This determination would assist both the Foundation and the Auditor General in determining whether statutory mandates are applicable. The Department has not yet received a response from the Attorney General regarding the Foundation's status as a State agency.

Since the inception of the Foundation in 1996, the Foundation has complied with the laws regulating not for profit entities and prior to fiscal year 2003 no material findings were issued indicating that the Foundation is required to comply with these Acts. There were no material findings of non-compliance disclosed by the Auditor General as part of the financial and compliance audit of the Foundation for the year ended June 30, 2002. In addition, the fiscal year 2002 audit report commended the Foundation for maintaining an effective system of internal controls. However, the financial and compliance audit for the year ended June 30, 2003, included findings of non-compliance with these same three cited Acts even though the Foundation had not made any operational changes during the fiscal year. This finding is based upon the Auditor General's interpretation of statutory mandates. Again, the applicability of those mandates is an open issue. The Foundation will continue to cooperate with the Auditor General.

AUDITORS' COMMENT

The issues noted in this finding have been repeated in the last three consecutive audits, and the Foundation is well aware of the auditors' position.

With regard to filing an annual certification of their systems of internal controls with the Office of the Auditor General by May 1, 2005 as required by the Fiscal Control and Internal Auditing Act (FCIAA), a November 17, 2003 memorandum from the Foundation's Executive Director and the Department of Natural Resources' General Counsel agreed with the auditors, stating in relevant part "...because the Department assisted in the creation of the Foundation pursuant to the Illinois Conservation Foundation, it is required to file the FCIAA certification as 'a corporate outgrowth of State government.'" Nevertheless, the Foundation failed to file the certification due May 1, 2005, and apparently now contends that it is not subject to this requirement.

With regard to the portion of the finding dealing with the Procurement Code, the Code was amended by Public 92-797, effective August 15, 2002. The language of that amendment was taken into consideration in our subsequent audits of the Foundation, and led to the non-compliance first noted in the FY03 audit and repeated herein.

We continue to believe the Foundation is subject to the legal requirements noted in this finding.

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

05-5. **FINDING** Purchasing Procedures Not Followed For Accounting Related Service

Accounting related services were performed initially without a signed formal agreement or contract; once an agreement was entered into the final amount paid exceeded the contracted maximum amount. In addition, the accounting related services were performed beyond the contract term without a new contract or an extension of the original contract being obtained.

The accounting related services were performed by a public accounting firm. The firm billed the Illinois Conservation Foundation (Foundation) \$17,291 for services during the period July 1, 2004 through September 30, 2004, with no agreement or contract. The Foundation entered into a contract with the public accounting firm effective October 1, 2004 for services to be provided through June 30, 2005, for a maximum amount of \$23,400. The Foundation paid the public accounting firm \$66,663 for the accounting related services provided under the contract, which was \$43,263 in excess of the contract maximum. The Foundation also allowed the public accounting firm to continue to provide the accounting services beyond the end date of the original contract without an extension or amendment.

The original contract was not competitively bid, and was not approved by the Board of Directors or the Executive Committee. The increase in contract fee and the extension of time for the contract also were not approved by the Board of Directors or the Executive Committee.

Foundation management indicated the situation was due to a lack of sufficient supervision of the contract.

Failure to adhere to contract terms could result in unnecessary expenditures to the Foundation. In addition, both parties should have a contract that outlines the services, terms and cost of services to be performed to alleviate any possible misunderstandings and as necessary amendments should be entered into to reflect any changes or extensions.

(Finding Code No. 05-5).

RECOMMENDATION

We recommend the Foundation follow its Purchasing procedures and obtain contracts prior to the start date of the contracted services. We also recommend the Foundation document any necessary changes to contracts with formal contract amendments to ensure all parties are aware of the services, terms and cost of services so there are no misunderstandings by either party.

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

- 05-5. **FINDING** Purchasing Procedures Not Followed For Accounting Related Service - continued

FOUNDATION RESPONSE

The Foundation agrees it is a good business practice that contracts be reduced to writing prior to services being performed and formal contract amendments be prepared to document changes if the services, terms and costs of services change. In the future, the Foundation will ensure its practices conform to the Auditor General's recommendations in this respect. The Foundation had been without a fiscal officer for several months, which created an emergency situation. The former Foundation Chief Fiscal Officer left February 1, 2004 and the Foundation did not have an accountant until the CPA firm started in May 2004 at an hourly rate of \$45.00. The Foundation had solicited proposals from two accounting firms for quotes of doing the Foundation's needed accounting services. The original agreement identified seven duties to be performed for approximately twenty hours per week. It was later determined that a contract employee would be needed for thirty two hours per week, and the list of accounting duties grew to nineteen. While the terms of the initial agreement remained at the agreed upon rate of \$45.00 per hour, the contract was not formally signed until October and subsequent amendment increasing the total contract amount was not timely processed. The Executive Director did keep the Board apprised that expenses were exceeding the original contract limits.

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

05-6. **FINDING** Statutorily Mandated Personnel Requirements Not Followed

The Illinois Conservation Foundation (Foundation) has one employee, the Executive Director. In our testing of personnel related expenditures we noted the Foundation did not comply with two statutorily mandated requirements.

First, we noted the Foundation did not comply with the State Officials and Employees Ethics Act (5 ILCS 430/5-5). The Foundation did not have a policy requiring the Executive Director to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour. Second, we noted the Foundation's Executive Director did not file an economic interest statement during fiscal year 2005 as required by the Illinois Governmental Ethics Act (5 ILCS 420/4a).

The State Officials and Employees Ethics Act requires the Foundation to adopt policies requiring State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour. The Illinois Governmental Ethics Act requires any person who is employed by any branch, agency, authority or board of the government of this State and functions as the head of a department, commission, board, division, bureau, authority or other administrative unit or has direct supervisory authority over, or direct responsibility for the formulation, negotiations, issuance or execution of contracts entered into by the State in the amount of \$5,000 or more to file a verified written statement of economic interest.

Foundation management indicated the Foundation was created as a not-for-profit corporation under the General Not For Profit Corporation Act of 1986, and have interpreted the above provisions of the State Officials and Employees Ethics Act and the Illinois Governmental Ethics Act to not apply to them.

Failure to comply with the State Officials and Employees Ethics Act and Illinois Governmental Ethics Act are violations of statutorily mandated responsibilities. (Finding Code No. 05-6)

RECOMMENDATION

We recommend the Foundation either comply with the requirements of the State Officials and Employees Ethics Act and the Illinois Governmental Ethics Act or seek a formal written interpretation from the State of Illinois Office of the Attorney General regarding the applicability of the above statutes to the Foundation.

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

05-6. **FINDING** Statutorily Mandated Personnel Requirements Not Followed

FOUNDATION RESPONSE

The Foundation agrees to amend the Foundation’s personnel policies to provide that the Executive Director shall submit time sheets documenting his time on official state business to the nearest quarter hour pursuant to the requirements of the State Officials and Employees Ethics Act (SOEEA). Although the applicability of the SOEEA to the Foundation remains unclear, the Executive Director currently provides an Employee Timesheet and will prospectively follow the requirements set forth in SOEEA.

The Executive Director was not previously made aware that he might be considered an employee of a “branch, agency, authority or board of the government of this State” required by the Illinois Governmental Ethics Act (IGEA) before a person is to file a verified written statement of economic interests (5 ILCS 420/4A-101(f)).

ILLINOIS CONSERVATION FOUNDATION
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS - STATE COMPLIANCE

05-7. **FINDING** Minutes Of Committee Meeting Not Being Maintained.

During our testing we noted no minutes were being kept of the Illinois Conservation Foundation's (Foundation) Finance & Endowment Committee meetings during fiscal year 2005.

The General Not For Profit Corporation Act of 1986 (805 ILCS 105/107.75) states, "Each corporation ... shall also keep minutes of the proceedings of its members, boards of directors and committees having any of the authority of the board of directors". In addition, good internal controls dictate that adequate minutes should be kept of all committee meetings. Formal written minutes provide a record of all management decisions made during meetings and should be maintained for future reference to document those decisions.

Foundation management indicated that minutes of the Foundation's committee meeting were not maintained because they consider the committee to be an informal advisory committee.

Failure to maintain minutes of Foundation committee meetings is noncompliance with a statutory mandate and can lead to confusion over what actions were taken without a formal documented record. (Finding Code No. 05-7)

RECOMMENDATION

We recommend the Foundation maintain minutes of all committee meetings.

FOUNDATION RESPONSE

The Foundation has adopted the recommendation of the Auditor General and has provided that minutes of the Finance Committee's meetings will be maintained as a matter of sound business practice.

Article II, Section 10 of the Foundations' Bylaws effective December 14, 2001 provides:

"Finance Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a Finance Committee, chaired by the Treasurer of the corporation, and two or more of the directors of the corporation. The Finance Committee shall have and may exercise the authority to review financial statements and make recommendations to the board on investment policies and strategies, and shall have other powers as the board may designate from time to time."

The Foundation's Board of Directors has not delegated other powers to the Finance Committee. Therefore, the Finance Committee does not have "any of the authority of the board of directors". As a result, the General Not For Profit Corporation Act of 1986 does not require there be minutes kept of the proceedings of the Finance Committee. The Finance Committee can only review information and make recommendations to the whole Board of Directors; not act in substitution of the whole Board of Directors. Again, the Foundation has adopted the Auditor General's recommendation.

ILLINOIS CONSERVATION FOUNDATION
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT FINDINGS - STATE COMPLIANCE

05-8. **FINDING** Credit Card Purchases Made Did Not Follow Established Procedures

During our testing of Illinois Conservation Foundation (Foundation) cash disbursements, we noted the following instances of purchases on the Foundation credit card issued to the Executive Director that did not follow the Foundation's established policies and procedures:

- \$190.91 was charged for the purchase of cigars. It was indicated the cigars were to give to donors and potential donors at meetings.
- \$469.10 was charged for hunting related items and clothing. It was indicated the items were purchased to be resold during quail and deer hunt auctions. The Foundation was unable to provide support that the items were sold at the auction(s).
- \$72.00 was charged for golf fees for the Executive Director, a person identified as a friend of the Executive Director who supplied contacts for donated supplies and material, an individual the Foundation contracts with to perform grant oversight, and a relative of the Executive Director. Neither the purpose of the outing or the people in attendance was initially documented on the charge.
- \$107.74 was charged for the purchase of a pair of boots for the Executive Director. It was indicated the Finance and Endowment Committee approved the charge, but no minutes of the Finance and Endowment Committee meetings are maintained to support the approval.
- \$126.90 was charged for a membership to a hunting organization. The membership is in the Executive Director's name and notes the Executive Director's home address as the contact address. The organization confirmed there was no corporate or organization affiliation noted with the membership.

The Foundation's policies and procedures should be followed when making purchases. Specifically, the Foundation's Purchasing policy and procedure dated October 1995, under "Restrictions" notes, "The Foundation is not authorized to make personal purchases for any individuals." The Foundation's Entertainment policy and procedure, dated October 1995, allows for the entertainment of volunteers, donors or prospective donors and notes expenses are generally limited to meals and refreshments. In addition, the Entertainment policy and procedure notes the business purpose of the entertainment must be itemized along with the number and names of the people attending. The Entertainment policy and procedure does give the Executive Director some latitude to deviate from the identified entertainment items, but does not give examples of other appropriate items.

The Foundation noted they believed they were properly following policies and procedures, and stated that all the purchases were approved by the Finance and Endowment Committee and were for Foundation use. The Foundation could not provide any written documentation of the Finance and Endowment Committee approval.

Foundation purchases should follow the appropriate policies and procedures to ensure all expenditures are made for the benefit of the Foundation and its objectives. (Finding Code No. 05-8)

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

05-8. **FINDING** Credit Card Purchases Made Did Not Follow Established Procedures - continued

RECOMMENDATION

We recommend the Foundation policies and procedures be followed when making purchases. We further recommend the Foundation seek reimbursement for items that cannot be verified as benefiting the Foundation.

FOUNDATION RESPONSE

The Foundation believes that all of the purchases made on the credit card were made in furtherance of the purpose of the Foundation, which is to foster relationships with private and public entities. The Illinois Conservation Foundation's purposes include "to solicit. . . contributions consistent with the stated intent of the donor and the goals of the Foundation. . . to solicit and generate private funding and donations." 20 ILCS 880/10. Accordingly, the Foundation encourages the Executive Director to conduct community outreach and attend events that may assist the Foundation in the development of private grants and contributions. However, The Foundation recognizes that additional procedures and safeguards are needed to ensure purchases follow established procedures, and will implement such safeguards and procedures. In response to the findings the Foundation offers the following information regarding those purchases to reveal the nature of those purchases in furtherance of the purpose of the Foundation.

- \$469.10 was for hunting clothes, scent-lok pants and top and a safety harness were used to shoot a hunting film in Illinois with Sky Line Camouflage at Timberland Outfitters in Cass County. The goal was promoting the Foundation and its contribution to habitat and conservation, and then taping the hunt for national broadcast.
- \$72.00 were expenses for two golf carts used during a golf game for the purpose of private donor outreach.
- \$107.74 boots - The Chairman of the Foundation and the Executive Director of the ICF were invited to an outreach duck hunt and wading boots were necessary for attendance.
- \$190.91 for cigars - The Executive Director stated he provided the cigars to private donors at an event, and the cigars were not used for the Executive Director's private use.
- \$126.90 was spent on a three-year membership to Buckmasters, a national organization dedicated to deer hunting.

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

05-9. **FINDING** Equipment Purchased With Grant Proceeds Not Recorded on Property Records

In testing grant compliance, we noted that a sub-grantee used grant proceeds provided by the Illinois Conservation Foundation (Foundation) to purchase a mower for \$10,500. Foundation staff could not provide documentation that the mower had been included in any listing of State property. In addition, Foundation staff could not provide documentation that any identification tags had been issued to the sub-grantee to affix to the mower to indicate it belongs to the State.

The contract agreement between the Foundation and the sub-grantee specifically states, “...any equipment purchased with funds provided by this contract shall become and remain the property of the State.” The Fiscal Control and Internal Auditing Act (30 ILCS 10/1002) requires each State Agency to establish and maintain an effective system of internal control, which would include State property. Equipment should be properly identified as to belonging to the State as well as included either on the Foundation’s or Illinois Department of Natural Resources’ inventory of State property.

Foundation management indicated they did not include the equipment on any State property listing or provide tags to the sub-grantee because there was confusion as to who was to provide tags and forward the purchase information to the State.

By not recording the equipment on any State property listing and not identifying/tagging the equipment as belonging to the State, there is a chance that the equipment could eventually become lost. In addition, the financial value of the State’s assets are not being properly reported by not including this equipment. (Finding Code No. 05-9)

RECOMMENDATION

We recommend the Foundation issue property identification tags to the sub-grantee to be affixed on the equipment identifying it as belonging to the State. We also recommend the Foundation either record the equipment on its property inventory or provide the necessary information to the Illinois Department of Natural Resources to be included on their property records. In addition, we recommend the Foundation review its contract agreements with sub-grantees to determine if there is other equipment purchased with grant funds that should be identified as State property.

FOUNDATION RESPONSE

The mower in question was tagged and inventoried with IDNR on 12/29/05. The Foundation agrees to follow the recommendations of the Auditor General.

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

05-10. **FINDING** Leases For Automobiles Did Not Contain All Payment Information And Required Disclosures

The Illinois Conservation Foundation (Foundation) entered into two lease agreements to provide for the use of two separate automobiles for the Foundation's Executive Director. A lease agreement was entered into during fiscal year 2004 with an execution date of December 18, 2003 for a period of 12 months. At the conclusion of the lease term, the Foundation entered into a "Substitute Lease Agreement" with another automobile dealer with an execution date of December 20, 2004 for a period of 12 months. Both agreements required the Foundation to pay \$1 for use of the automobile during the lease term as long as the automobile was not driven over 15,000 miles.

In reviewing the documentation for the lease agreements, it was noted that both dealerships were allowed to attend certain Foundation sponsored functions without having to pay. This included a fishing trip, hunting trip, golf outing and a complimentary corporate table at the Illinois Outdoor Hall of Fame Banquet. None of this was documented as a part of either of the lease agreements.

In addition, we noted the lease agreements did not contain the following required disclosures as required by The Comptroller's Statewide Accounting Management System (SAMS Manual) Procedure 15.20.55:

Bribery Clause certification (30 ILCS 500/50-5a)

Right to Audit Records clause (30 ILCS 500/20-65)

Contractor's Federal Taxpayer Identification Number and Legal Status Disclosure certification (74 Ill. Admin. Code 290.1203(h), Requirements for all Contracts)

Maximum or estimated amount to be paid (74 Ill. Admin. Code 290.1203(g), Requirements for all Contracts)

Felony Conviction Under Sarbanes-Oxley Act (30 ILCS 500/50-10.5)

A lease agreement should include all amounts to be provided to the lessor for consideration of the item leased. This should include actual cash payments and any items to be provided in lieu of cash payments. In addition, the State Comptroller Act (15 ILCS 405/7) defines State Agencies for purposes of the State accounting system. The definition includes "public corporations." A "public corporation" is defined in Black's Law Dictionary as "a corporation that is created by the state as an agency in the administration of civil government" and as "a government-owned corporation that engages in activities that benefit the general public, usually while remaining financially independent." Our interpretation is that the Foundation meets the definition of a public corporation and therefore should comply with the contracting requirements set forth in the SAMS manual.

Foundation management indicated they did not include all the items to be provided to the lessors in the agreements because they do not believe that they are a State agency. Management also noted they did not include all the required disclosures because they do not believe that they are a State agency.

If all the items to be provided for consideration for the leased item are not included in the lease, there can be confusion between both parties on what is to be provided. In addition, oversight entities do not have a clear perspective of what is being provided for consideration if all items are not included in the lease. By not including all the required disclosures, the Foundation cannot ensure the lessor is complying with required State statutes. (Finding Code No. 05-10)

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

- 05-10. **FINDING** Leases For Automobiles Did Not Contain All Payment Information And Required Disclosures - continued

RECOMMENDATION

We recommend the Foundation include all forms of consideration in future lease agreements and that the lease agreements include all the disclosures required by the SAMS Manual.

FOUNDATION RESPONSE

The Foundation agrees that the lease proposals should have been incorporated as a referenced document within the written lease agreements. The Foundation will contact the Lessor for the current vehicle lease to amend the current lease agreement to incorporate the proposal's terms. The Foundation will also require the Lessor to incorporate the required disclosures into the lease agreement.

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Illinois Conservation Foundation (A Component Unit of the State of Illinois) was performed by Ginoli & Company Ltd, CPAs.

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

**INDEPENDENT AUDITORS' REPORT**

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Illinois Conservation Foundation (Foundation), a component unit of the State of Illinois, as of and for the year ended June 30, 2005, which collectively comprise the Foundation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Foundation as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2005 on our consideration of the Illinois Conservation Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 39 through 40 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

GINOLI & COMPANY LTD
GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
November 1, 2005

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

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, 2005.

Financial Highlights

The net assets of the Foundation totaled \$3,884,312 at fiscal year ended June 30, 2005, compared to \$4,918,295 at fiscal year ended June 30, 2004.

Overview of the Financial Statements

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

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

Condensed Comparative Summary of Net Assets as of June 30

	<u>2005</u>	<u>2004</u>	<u>2005/2004</u> <u>Change</u>
Cash and Cash Equivalents	\$ 983,822	\$2,083,333	\$(1,099,511)
Accounts Receivable	65,044	14,061	50,983
Accrued Investment Income	6,944	6,276	668
Inventory	21,134	17,026	4,108
Prepaid Expenses	7,818	6,638	1,180
Investments	<u>2,890,313</u>	<u>2,863,815</u>	<u>26,498</u>
Total Assets	\$3,975,075	\$4,991,149	\$(1,016,074)
Liabilities	<u>90,763</u>	<u>72,854</u>	<u>17,909</u>
Total Net Assets	<u>\$3,884,312</u>	<u>\$4,918,295</u>	<u>\$(1,033,983)</u>

The Statement of Activities presents information regarding changes during the fiscal year ended June 30, 2005. 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>2005</u>	<u>2004</u>	<u>2005/2004</u> <u>Change</u>
Additions:			
Governmental Activities	\$ 2,212,185	\$3,138,014	\$ (925,829)
General	<u>236,868</u>	<u>188,853</u>	<u>48,015</u>
Total	<u>\$ 2,449,053</u>	<u>\$3,326,867</u>	<u>\$ (877,814)</u>
Deduction:			
Governmental Activities	<u>\$ 3,483,036</u>	<u>\$2,240,816</u>	<u>\$ 1,242,220</u>
Total	<u>\$ 3,483,036</u>	<u>\$2,240,816</u>	<u>\$ 1,242,220</u>
Change in net assets	<u>\$(1,033,983)</u>	<u>\$1,086,051</u>	<u>\$(2,120,034)</u>

There was a significant increase in revenues FY04 over the prior year due to a single one-time settlement of an environmental lawsuit. Currently, there is a decrease in FY05 due to the same one-time settlement.

FY05 reflects significant increase in expenditures from the one-time settlement revenue received the prior year. Increase in expenditures also reflects a one-time land purchase, whereas no land was acquired in FY04. Additionally, tree planting expenditures were up in FY05.

Overall, there is a decrease in net assets as reflected on the Statement of Activities of \$1,033,983 at June 30, 2005, compared to an increase of \$1,086,051 at June 30, 2004.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF NET ASSETS
JUNE 30, 2005

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 983,822
Accounts receivable	65,044
Accrued investment income	6,944
Inventory	21,134
Prepaid expense	7,818
Total current assets	\$ 1,084,762
Noncurrent Assets:	
Investments	\$ 2,890,313
Total Assets	\$ 3,975,075
LIABILITIES:	
Current Liabilities:	
Accounts payable	\$ 50,400
Deferred revenue	40,363
Total Liabilities	\$ 90,763
NET ASSETS:	
Restricted for:	
Natural Resources and Recreation	\$ 2,461,872
Endowment-Nonexpendable	70,836
Education	13,712
Unrestricted	1,337,892
Total Net Assets	\$ 3,884,312

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, 2005

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUE</u>			
	<u>EXPENSES</u>	<u>CHARGES FOR GOODS</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE</u>
ENVIRONMENT AND BUSINESS REGULATION:				
General Administrative	\$ 565,196	\$ -	\$ 211,970	\$ (353,226)
Education	-	-	7,030	7,030
Natural Resources and Recreation	2,917,840	150,801	1,842,384	(924,655)
Total governmental activities	\$ 3,483,036	\$ 150,801	\$ 2,061,384	\$ (1,270,851)

General revenue:

Unrestricted Realized Gain	2,708
Unrestricted Investment -Unrealized Gain	80,608
Unrestricted investment earnings	117,301
Fund raising	36,251
Change in net assets	\$ (1,033,983)
Net assets-beginning	4,918,295
Net assets-ending	\$ 3,884,312

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, 2005

	SPECIAL REVENUE FUND	PERMANENT FUND	TOTAL
ASSETS:			
Cash and cash equivalents	\$ 970,110	\$ 13,712	\$ 983,822
Accounts receivable	65,044	-	65,044
Accrued investment income	6,944	-	6,944
Investments	2,819,477	70,836	2,890,313
Inventory	21,134	-	21,134
Total Assets	\$ 3,882,709	\$ 84,548	\$ 3,967,257
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 50,400	\$ -	\$ 50,400
Deferred revenue	40,363	-	40,363
Total Liabilities	\$ 90,763	\$ -	\$ 90,763
Fund Balances:			
Reserved for:			
Natural Resources and Recreation	\$ 2,461,872	\$ -	\$ 2,461,872
Endowment-Nonexpendable	-	70,836	70,836
Education	-	13,712	13,712
Unreserved	1,330,074	-	1,330,074
Total Fund Balances	\$ 3,791,946	\$ 84,548	\$ 3,876,494
Total Liabilities and Fund Balances	\$ 3,882,709	\$ 84,548	\$ 3,967,257

The accompanying notes are an integral part of these statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

Total fund balances - governmental funds	\$ 3,876,494
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Amounts reported for governmental activities in the statement of net assets are different because:

Prepaid assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

7,818

Net assets of governmental activities

\$ 3,884,312

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, 2005

	SPECIAL REVENUE FUND	PERMANENT FUND	TOTAL
REVENUES			
Fund Raising Events	\$ 36,251	\$ -	\$ 36,251
Donations-Restricted	573,140	-	573,140
Grants and Receipts from Governments	1,269,244	-	1,269,244
Investment Income-Restricted	-	6,205	6,205
Investment Income-Restricted Unrealized Gain	-	825	825
Investment Income-Unrestricted	117,301	-	117,301
Investment Income-Unrestricted Unrealized Gain	80,608	-	80,608
Investment Income-Unrestricted Realized Gain	2,708	-	2,708
Donations-Unrestricted	96,895	-	96,895
Merchandise Sales-Restricted	104,499	-	104,499
Publication Sales-Restricted	46,303	-	46,303
On-behalf payments	115,075	-	115,075
	<u>\$ 2,442,024</u>	<u>\$ 7,030</u>	<u>\$ 2,449,054</u>
EXPENDITURES			
Administrative	\$ 451,302	\$ -	\$ 451,302
Education	-	-	-
Natural Resources and Recreation	2,917,840	-	2,917,840
On-behalf payments	115,075	-	115,075
	<u>\$ 3,484,217</u>	<u>\$ -</u>	<u>\$ 3,484,217</u>
Net change in fund balances	\$ (1,042,193)	\$ 7,030	\$ (1,035,163)
Fund balance-beginning	4,834,139	77,518	4,911,657
	<u>\$ 3,791,946</u>	<u>\$ 84,548</u>	<u>\$ 3,876,494</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, 2005

Net change in fund balances - total governmental funds	\$ (1,035,163)
Amounts reported for governmental activities in the statement of activities are different because:	
Changes in Prepaid expense:	
Prepaid expense uses current financial resources and is recorded as an expense in the governmental funds.	1,180
Change in net assets of governmental activities	<u>\$ (1,033,983)</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, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

B. New Accounting Pronouncements

Effective July 1, 2004, the Foundation adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 40, *Deposit and Investment Risk Disclosures, an amendment to certain provisions of GASB Statement No. 3*. This Statement requires certain disclosures in the notes for common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. There was no impact on the Foundation's financial statements as a result of adopting this Statement.

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 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Financial Reporting Entity - continued

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

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

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

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

The Foundation administers the following major governmental funds:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. Basis of Presentation - continued

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. Nonexchange transactions, in which the Foundation gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. On an accrual basis, revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

F. Cash and Cash Equivalents

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

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

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

I. Capital Assets

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

J. Fund Balances

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

K. Net Assets

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

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

Unrestricted – This consists of net assets that do not meet the definition of “restricted.”

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

A. Deposits

Cash and Cash Equivalents consist of checking and money market accounts at June 30, 2005.

The Foundation cash and cash equivalents had a bank balance of \$1,095,978 and a carrying balance of \$983,822 at June 30, 2005. The cash and cash equivalents are either deposited in financial institutions in which the balance is covered by Federal Depository Insurance Coverage, or are invested in a federal obligation money market mutual fund, that is allowed to invest only in U.S. Government Securities.

B. Investments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2: DEPOSITS AND INVESTMENTS - continued

Investment Summary Schedule

As of June 30, 2005 the Foundation had the following investments and maturities.

Investment Type	Investment Summary and Maturities (In years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasury Notes	\$ 48,684	\$ 2,947	\$ 35,394	\$ 10,343	\$
U.S. Treasury Bonds	9,743				9,743
U.S. Agency Obligations	193,763		123,009	16,952	53,802
Corporate Debt Securities	1,038,305	15,229	791,719	231,357	
	\$ 1,290,495	\$ 18,176	\$ 950,122	\$ 258,652	\$ 63,545
Equity Securities	1,599,818				
Total Investments	\$ 2,890,313				

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.

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, 2005.

Investment Type	Moody's Quality Rating	Fair Value
Corporate Obligations	a1	\$ 10,148
	A1	31,012
	AA2	10,177
	A2	10,310
	AA3	5,414
	AAA	5,086
	A	371,702
	Aaa	74,120
	Aa	470,985
	Aa2	49,351
Total Corporate Obligations		\$1,038,305

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2: DEPOSITS AND INVESTMENTS – continued

Concentration of Credit Risk and Credit Risk for Investments – continued

Agency Obligations	Aaa	\$ 74,311
	Aaa	10,244
	AAA	<u>109,208</u>
Total Agency Obligations		<u>\$ 193,763</u>
U.S. Treasury Notes		<u>\$ 48,684</u>
U.S. Treasury Bonds		<u>\$ 9,743</u>
Total Debt Securities		<u>\$1,290,495</u>

NOTE 3: RESERVED FUND BALANCE

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

A portion of salaries and wages and the related employee benefits of the Executive Director and 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, 2005 is as follows:

Salaries	\$ 91,608
Benefits	<u>23,467</u>
Total	<u>\$115,075</u>

The total of \$115,075 is included in the Statement of Activities as a General Administrative revenue and expense; it is included on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds as on-behalf revenues and expense.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 6: COMMITMENTS

The Foundation has entered into an agreement with Commonwealth Edison (Company) and IDNR whereby the Company will contribute \$.90 per seedling at a targeted rate of 200,000 seedlings per year for five years. The Company agrees to allow an inflation increase of 3% per year for planting years two through five. Pursuant to the agreement, the Company contributed \$101,592 in July, 2004.

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.

The Foundation has been awarded four grants from the Forest Service of the U.S. Department of Agriculture and six grants from the Fish and Wildlife Service of the U.S. Department of the Interior to partially fund this project. The amounts awarded on these grants total \$4,300,000. As of June 30, 2005, the Foundation paid a total of \$1,082,867 to Chicago Wilderness Members. The remaining support will come from the approved partners of the project. The Foundation has negotiated a 10% indirect cost rate agreement with the federal funding agencies to cover administrative and other costs of the project. Two of the grants from the U.S. Department of Agriculture are scheduled to be completed on September 30, 2004 and December 31, 2005. One grant is scheduled to be completed September 30, 2006 and the fourth grant is to be completed on September 30, 2008.

Of the four grants from the U.S. Department of the Interior, two are scheduled to be completed December 31, 2005, one on September 30, 2006, and one on September 30, 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 7: NATURAL RESOURCE AND RECREATION EXPENDITURE DETAIL

The Natural Resource and Recreation expenditures are detailed as follows:

ADM Consent Decree	\$ 720,000
Aquatic Ecology Education	1,549
Archery Education Program	2,356
Bellrose Research Center	119,350
Bicyclists of Illinois	4,625
Becoming an Outdoor Woman	11,375
Clinton Lake Handicapped Shotgun Deer Hunt	641
Conference Donation	595
Cowboy Shoot	398
Conservation Police	4,534
Celebrity Quail Hunt	61,176
Crappie Tour	2,630
Chronic Wasting Disease	9,324
DNR Diversity Employee Committee	733
Disabled Outdoor Opportunities Program	10,522
Educational Services	446
ENTICE	160
Environmental Restoration	672
Federal - Sub-grantee Awards	1,189,621
Field Interpretation	671
General Admin	2,564
Governor's Cup Sporting Clays Event	19,548
Golf Outing	772
Illinois Grassland Establishment	56,917
Hardwood Forest Foundation	1,489
Hall of Fame Dinner	54,517
ICF Grants	50,030
Clinton Lake State Recreation Area	14,430
Kids for Conservation	2,407
Land Acquisition Fund	72,366
Law Enforcement	230
Todd Fink Memorial	500
Moraine Hill State Park	6,700
Natural Heritage	2,423
Management of Palatine March	6,950
PARC Habitat Workshop	2,715
Kankakee State Park	1,139
State Park	1,549
Pere Marquette State Park	141
Target Illinois Poachers	2,901
Promotion of IDNR	1,623
Range Development	3,040

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 7: NATURAL RESOURCE AND RECREATION EXPENDITURE DETAIL -
continued

Region 1, District 6	\$ 3,280
Rice Foundation	16,492
Rock Cut State Park	390
Safety Education Program	475
Sportsmen Against Hunger	37,020
South Dakota Hunting Trip	13,418
FOID	2,323
Shell Oil Wetland Preserve Water Quality	124,000
Director's Shoot	4,103
Under Ill Skies	2,892
Sparta	845
Make a Splash	2,233
Schoolyard Habitat Grant	8,076
Forestry Tree Planting	226,900
Tube Corporation	14,263
Wildlife Resources	2,500
Wingshoot Clinic	25,786
Youth Programs	<u>55,496</u>
 SUBTOTAL	 \$2,986,821
 Less: Administrative costs included in program expenditures	 <u>(68,981)</u>
 Total	 <u>\$2,917,840</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 8: DEFERRED REVENUE

At June 30, 2005, the Foundation has deferred revenue of \$40,363. The Northeastern Illinois Wetlands Conservation Account Grants Review Committee has approved a grant of \$50,454 to the Illinois Conservation Foundation. The grant will be made in two payments, the first of \$40,363 and the second of \$10,091. The \$40,363 was received as of June 30, 2004 but not expended as of June 30, 2005; the amount is restricted for the restoration of the Wilmington Shrub Prairie Nature Preserve Wetland Enhancement project.

NOTE 9: ACCOUNTS RECEIVABLE

At June 30, 2005, the Foundation has accounts receivable of \$65,044. This amount consists of \$4,709 in merchandise and \$60,335 in federal grants. The Foundation considers that all the accounts receivable are collectible.

NOTE 10: RISK MANAGEMENT

The Foundation, a component unit of the primary government of the State, provided for risks of loss associated with workers' compensation and general liability through the State's self insurance program from July 1, 2004 through December 31, 2004. The Foundation had liability, automobile, and umbrella insurance coverage for the fiscal year, and there were no claims for the three years then ended.

NOTE 11: RECLASSIFICATION OF RESERVED FUND BALANCE

The fund balance of the Special Revenue Fund has been adjusted for the reclassification of account balances from reserved designations to unreserved.

The reclassifications were calculated as of July 1, 2004. The reclassifications were needed to correct for Foundation programs that had been designated in previous years as Reserved - Natural Resources and Recreation. These adjustments resulted in \$1,256,499 being reclassified from Reserved - Natural Resources and Recreation to Unreserved - Fund Balance.

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

Financial Schedules and Analysis:

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

Analysis of Operations:

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

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

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

Schedule of Expenditures of
Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/ Federal Grantor/ Program	Federal CFDA Number	Other Identification Number	Award Period	Award Amount	Federal Expenditures	Sub-Grantee Awards
Major Program:						
<u>U.S. Department of Agriculture</u>						
Cooperative Forestry Assistance						
	10.664	00-DG-11244225-056	01/01/00-09/30/04	700,000	\$ 16,985	\$ 15,440
		01-DG-11244225-010	04/01/01-09/30/05	700,000	108,049	98,227
		03-DG-11244225-181	01/01/03-12/31/05	700,000	298,321	271,201
		03-DG-11244225-207	08/25/03-09/30/06	350,000	245,453	223,139
		04-DG-11244225-119	08/02/04-09/30/08	200,000	22,264	20,240
Total for U.S. Department of Agriculture-Major Program					<u>\$ 691,072</u>	<u>\$ 628,247</u>
Non-Major Programs:						
<u>U.S. Department of the Interior:</u>						
Fish and Wildlife Enhancement						
	15.FFB	3018-10-G015	10/01/99-03/31/05	600,000	\$ 25,593	\$ 23,266
		3018-1-G020	08/30/01-12/31/04	570,000	51,727	47,024
		3018-2-G028	08/30/01-12/31/05	600,000	60,678	55,161
		30181-3-G058	07/30/03-12/31/06	580,000	334,677	304,252
		30181-4-G046	05/24/04-09/30/09	600,000	35,061	31,874
					<u>\$ 507,736</u>	<u>\$ 461,577</u>
U.S. Department of Agriculture:						
Illinois Grasslands Establishment Project						
	10.902	2002-0183-000	10/01/03-09/30/05	30,316	\$ 30,217	\$ 30,217
Forest Land Enhancement Program						
	10.664	03-DG-11244225-451	09/03/03-09/30/06	242,700	\$ 76,537	\$ 69,580
Total Federal Awards and Expenditures				<u>\$ 5,873,016</u>	<u>\$ 1,305,562</u>	<u>\$ 1,189,621</u>

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

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

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation:

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

Note 2 - Amounts Provided to Subrecipients:

The Foundation provided \$1,082,867 to various members of the Chicago Wilderness Coalition during the fiscal year ended June 30, 2005.

Note 3 - Determination of Type A Programs:

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

Note 4 - Administrative Costs:

Federal expenditures include \$115,941 of administrative costs.

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

Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis)
For the Years Ended June 30, 2005 and 2004

	2005	2004
Cash and cash equivalents, beginning	\$ 2,083,333	\$ 3,727,612
Receipts:		
Fund Raising Events	-	70,208
Donations	568,236	1,826,395
Grants and Receipts from Other Governments	1,288,792	1,165,818
Merchandise Sales	113,849	10,059
Publication Sales	46,303	16,855
Investment Income	121,862	62,063
Investment Income Realized Gain (Loss)	2,708	6,675
Sale of Investments	243,607	-
Disbursements:		
General Administrative	(366,471)	(172,062)
Fund Raising	-	(52,951)
Merchandise Purchased	(54,383)	(11,579)
Programs	(2,943,764)	(1,834,613)
Purchase of investments	(120,250)	(2,731,147)
Cash and cash equivalents, ending	\$ 983,822	\$ 2,083,333

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

Explanation of Significant Variations in Expenditures
For the Years Ended June 30, 2005 and 2004

<u>Program</u>	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>
(1) Federal - Sub-grantee Awards	\$ 1,189,621	\$ 1,060,655	\$ 128,966
(2) Celebrity Quail Hunt	61,176	44,024	17,152
(3) Chronic Wasting Disease	9,324	37,282	(27,958)
(4) Land Aquisition	72,366	-	72,366
(5) Sportsmen Against Hunger	37,020	10,674	26,346
(6) Tree Planting	226,900	117,582	109,318
(7) ENTICE Programs	160	60,602	(60,442)

- (1) Greater amounts of expenditures were approved and paid in 2005.
- (2) Greater participation in this event in 2005.
- (3) Decrease in donor participation in 2005.
- (4) In 2005, the Foundation had an opportunity for land acquisition, no land purchase in 2004.
- (5) This program was expanded in 2005.
- (6) Tree replacement was in greater demand in 2005 than in 2004.
- (7) Program revenues declined and as a result funding availability for grants also declined in 2005.

Note: The following programs, active during the fiscal year ended June 30, 2004, had no expenditures for the fiscal year ended June 30, 2005.

AG Resource Enhancement
Chicago Reef

Goose Calling Contest
Bellrose Research Center

The following programs first incurred expenditures during the fiscal year ended June 30, 2005.

Illinois Grasslands Program
National Hunting and Fishing Days

Bicyclists of Illinois

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

Explanation of Significant Variations in Revenues
For the Years Ended June 30, 2005 and 2004

<u>Program</u>	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>
(1) Donations - Restricted	\$ 573,140	\$ 1,718,816	\$ (1,145,676)
(2) Investment Income - Unrestricted Unrealized Gain	80,608	62,657	17,951
(3) Grants & Receipts from Governments	1,269,244	1,125,454	143,790
(4) Merchandise Sales	104,499	10,059	94,440

(1) Decrease primarily due to receipt of \$1 million settlement of an environmental lawsuit filed by the State of Illinois in 2004, with no corresponding settlement in 2005.

(2) Positive returns on investments in the stock market resulted in additional unrealized gain.

(3) Greater federal grants were received in 2005, due to more requests from subrecipients for federal funds.

(4) More items sold during 2005 than in 2004, due to increased use of the Internet to market products.

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

Analysis of Significant Balance Sheet Accounts
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>
(1) Cash and Cash Equivalents \$	983,822	\$ 2,083,333	\$ (1,099,511)
(2) Accounts Receivable	65,044	14,061	50,983
(3) Inventory	21,134	17,026	4,108

- (1) Decrease in cash and cash equivalents is the result of the expenditure of the \$1,000,000. lawsuit settlement received in 2004, and increased administrative expenditures.
- (2) Accounts receivable increased in 2005 due to federal expenditures in June, 2005 not being reimbursed until July, 2005.
- (3) The Foundation made the decision to promote sale of merchandise more aggressively and therefore decided to carry more inventory.

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

Analysis of Accounts Receivable and Accrued Investment Income
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>	<u>Increase</u>
Accounts Receivable	\$ 65,044	\$ 14,061	\$ 50,983
Accrued Investment Income	6,944	6,276	668

(1) Accounts Receivable consists of 1) amounts due from the Illinois Department of Natural Resources to the Illinois Conservation Foundation for merchandise sold by the Department on behalf of the Foundation and 2) amounts due from the Department for federal expenditures incurred in fiscal year 2005 but not reimbursed until July, 2005.

1) Under 60 days old-	\$ 4,709
2) Under 60 days old-	\$ 60,335

(2) Accrued investment income consists of interest earned on cash equivalents for the year ending June 30, 2005 but not remitted until July, 2005.

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

Agency Functions and Planning Program
June 30, 2005

Agency Function

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

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

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

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

Planning Program

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

MISSION STATEMENT

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

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

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.

Auditors' Evaluation

Based on our evaluation of the planning program, the Foundation's current planning program appears adequate.

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

AVERAGE NUMBER OF EMPLOYEES AND FOUNDATION MEMBERS

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

Fiscal Year	Employees	Foundation Members
2003	3	13
2004	2	13
2005	1	11

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

Comparative Schedule of Administrative Expenditures
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>	<u>Increase</u>
Accounting	\$ 78,161	\$ 4,296	\$ 73,865
Director's Salary	43,921	-	43,921
Payroll Taxes	3,575	-	3,575
General Administrative	<u>325,645</u>	<u>230,369</u>	<u>95,276</u>
Total Administrative Expenditures	<u>\$ 451,302</u>	<u>\$ 234,665</u>	<u>\$ 216,637</u>
TOTAL EXPENDITURES	<u>\$ 3,484,217</u>	<u>\$ 2,236,852</u>	
% of Administrative Expenditures to Total Expenditures	<u>13.0%</u>	<u>10.5%</u>	

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

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

- The Foundation administers the Chicago Wilderness Cooperative Forestry Assistance program and works with many natural resources organizations in the northeastern Illinois six county area. The program is funded by \$6,000,000 in grants from the U.S. Forest Service and the U.S. Fish and Wildlife Service.
- The Foundation received the net profits from the Celebrity Quail Hunt, and the Directors Muskie Tournament. Proceeds from these events support the many youth programs and assist with the expenses of promotional efforts of the Illinois Department of Natural Resources.
- The Foundation coordinated the fundraising for the various youth programs.
- The Foundation held two separate golf outings. Proceeds are used for various Illinois Department of Natural Resources sponsored youth and special events programs.
- The Foundation donated \$226,900 to the Illinois Department of Natural Resources for tree planting.
- The Foundation funded grants totaling \$50,030 of non-federal money to various parties for educational and environmental programs.
- The Foundation funded the Illinois Grasslands project with expenditures of \$56,917.

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

Calculation of Federal vs. Nonfederal Expenditures
For the Years Ended June 30, 2005 and 2004

2005		
	Amount	Percent
Federal	\$ 1,305,562	37.47%
Nonfederal	2,178,655	62.53%
Total	3,484,217	100.00%

2004		
	Amount	Percent
Federal	\$ 1,165,817	52.03%
Nonfederal	1,074,999	47.97%
Total	2,240,816	100.00%