

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For the Year Ended June 30, 2012

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

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For The Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
Table of Contents.....	1-2
Foundation Officials	3-4
Management Assertion Letter.....	5
Compliance Report	
Summary	6-7
Accountants' Reports	
Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	8-10
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11-12
Schedule of Findings	
Current Findings – Government Auditing Standards	13-15
Current Findings – State Compliance	16-17
Prior Findings Not Repeated.....	18
Financial Statement Report	
Summary	19
Independent Auditors' Report.....	20-22
Management's Discussion and Analysis (Unaudited)	23-24
Basic Financial Statements	
Statement of Net Assets	25
Statement of Activities.....	26
Balance Sheet – Governmental Funds	27
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets	28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	29
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities.....	30
Notes to the Basic Financial Statements.....	31-42

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For The Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>SCHEDULE</u>	<u>PAGE</u>
Supplementary Information for State Compliance Purposes		
Summary		43
Fiscal Schedules and Analysis		
Schedule of Changes in Property	1	44
Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis)	2	45
Analysis of Significant Variations in Expenditures	3	46-47
Analysis of Significant Variations in Revenues.....	4	48-49
Analysis of Significant Balance Sheet Accounts	5	50
Analysis of Accounts Receivable and Accrued Investment Income.....	6	51
Analysis of Operations (Unaudited)		
Agency Functions and Planning Program (Unaudited).....		52-53
Average Number of Employees and Foundation Members (Unaudited)		54
Comparative Schedule of Administrative Expenditures (Unaudited)		55
Service Efforts and Accomplishments (Unaudited).....		56
Schedule of Indirect Cost Reimbursements (Unaudited).....		57

FOUNDATION OFFICIALS

ILLINOIS CONSERVATION FOUNDATION

Board of Directors:

Miller, Marc – Appointment designated by statute – Chairman

Ducey, Barbara – Appointed by Senator Jones – Secretary

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

Cullerton, Bill Jr. – Appointed by Representative Madigan

Keck, Fred – Appointed by Senator Phillip

Kidd, John Jr. – Appointed by Senator Jones

Newton, Larry – Appointed by Representative Cross

Lyons, Arthur – Appointed by Representative Daniels (July 1, 2011 – December 31, 2011)

Presbrey, Kim – Appointed by Governor Blagojevich (July 1, 2011 – May 26, 2012)

Wren, Richard T. Jr. – Appointed by Governor Blagojevich (July 1, 2011 – March 1, 2012)

Combs, Doug – Appointed by Representative Madigan

Kern, Mark – Appointed by Governor Blagojevich (July 1, 2011 – December 6, 2011)

Bettin, Cameron – Appointed by Representative Cross (January 9, 2012 – current)

Johnson, Barbara Ann – Appointed by Governor Quinn (October 12, 2012 – current)

Katlin, Andy – Appointed by Governor Quinn (October 12, 2012 – current)

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

Committees were as follows:

Executive Committee

Miller, Marc – Chairman of the Board

Ducey, Barbara

Russell, Robert Dr.

Cullerton, Bill Jr.

Finance Committee

Russell, Robert Dr. – Chairman

Newton, Larry

FOUNDATION OFFICIALS

ILLINOIS CONSERVATION FOUNDATION

Development & Special Events Committee

Miller, Marc – Chairman of the Board
Cullteron, Bill Jr. - Chairman
Combs, Doug
Kidd, John Jr.
Lyons, Arthur
Bettin, Cameron

Strategic Planning & Torstenson Committee

Miller, Marc – Chairman of the Board
Kidd, John Jr. – Co-Chair
Ducey, Barbara
Lyons, Arthur
Newton, Larry
Russell, Robert Dr.
Bettin, Cameron
Spangler, Mark
Combs, Doug

Conservation Scholarship & Grants Committee

Ducey, Barbara – Co-Chair
Cullerton, Bill Jr. – Co-Chair
Kidd, John Jr.
Newton, Larry
Keener, Valerie - Advisor

Address:

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

Operating Office

Illinois Conservation Foundation
1 Natural Resources Way
Springfield, IL 62702-1271

Foundation Executive Director:
Spangler, Mark

Chief Financial Officer:
Scheller, Truman



Illinois Conservation Foundation



MANAGEMENT ASSERTION LETTER

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

December 17, 2012

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Foundation. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Foundation's compliance with the following assertions during the year ended June 30, 2012. Based on this evaluation, we assert that during the year ended June 30, 2012 the Foundation has materially complied with the assertions below.

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

Yours very truly,

ILLINOIS CONSERVATION FOUNDATION

Truman Scheller, Chief Financial Officer

Mark Spangler, Executive Director

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANTS' REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	3	4
Repeated findings	3	4
Prior recommendations implemented or not repeated	1	2

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
-----------------	-------------	--------------------	---------------------

FINDINGS (GOVERNMENT AUDITING STANDARDS)

12-1	13	Financial Statement Preparation	Material Weakness and Noncompliance
12-2	15	Segregation of Duties	Significant Deficiency and Noncompliance

FINDINGS (STATE COMPLIANCE)

12-3	16	Noncompliance with Accountability for the Investment of Public Funds Act	Significant Deficiency and Noncompliance
------	----	--	--

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

12-1	13	Financial Statement Preparation	Material Weakness and Noncompliance
12-2	15	Segregation of Duties	Significant Deficiency and Noncompliance

COMPLIANCE REPORT

SCHEDULE OF FINDINGS (CONTINUED)

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	19	Disbursement Processing Weakness

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on December 13, 2012. Attending were Mark Spangler, Executive Director; Truman Scheller, Chief Financial Officer; Donna Ferguson, Administrative Assistant; Tami Knight, Partner, Kemper CPA Group, LLP; and Adam Ausmus, Audit Manager, Office of the Auditor General. Responses to the recommendations were provided by Truman Scheller, Chief Financial Officer, in a correspondence dated December 17, 2012.

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

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Illinois Conservation Foundation
Springfield, Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois Conservation Foundation's (A Component Unit of the State of Illinois) (Foundation) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2012. 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. 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 listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2012. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 12-1, 12-2, and 12-3.

Internal Control

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 12-1 to be a material weakness.

A significant deficiency in an entity's internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 12-2 and 12-3 to be significant deficiencies.

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

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

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

Handwritten signature in black ink that reads "Kemper CPA Group LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants and Consultants

Mattoon, Illinois
December 17, 2012



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

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Illinois Conservation Foundation
Springfield, Illinois

As Special Assistant Auditors for the Auditor General, we have audited 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, 2012, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated December 17, 2012. We issued a qualified opinion because the Foundation failed to record all noncash contributions in the Statement of Activities as required by accounting principles generally accepted in the United States of America. 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

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 12-1 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 12-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 12-1 and 12-2.

We noted certain matters that we reported to the management of the Illinois Conservation Foundation in a separate letter dated December 17, 2012.

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

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

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Mattoon, Illinois
December 17, 2012

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

12-1. Finding (Financial Statement Preparation)

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

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

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

- The Foundation failed to make numerous adjusting entries to present the financial statements in accordance with GAAP.
- The Foundation did maintain records to indicate the balances of accounts payable and accounts receivable. However, no entries were posted to record the activity.
- The Foundation had realized and unrealized gains posted to opposite accounts in error. Because unrealized gains are recognized in the current year, this would cause realized and unrealized classes of gains to be misstated. A net audit adjustment of \$109,282 was recorded to correct the balances in the realized and unrealized gain accounts.
- The Foundation does not track vacation accrual for employees. An audit adjustment of \$23,704 was made to record the liability for the Foundation.
- Noncash contributions of materials, facilities, and services are not being tracked by management. An audit adjustment of \$25,300 was made to record noncash contributions. As a result, revenue and capital assets increased.
- Noncash contributions of items used by the Foundation during special events are not recorded or tracked. The Foundation is unable to determine the amount of items received and utilized during special events throughout the year.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

12-1. Finding (Financial Statement Preparation) (Continued)

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

Foundation personnel stated that the Foundation employed a new Finance Officer in fiscal year 2012. This was his first experience closing out the books and preparing financial statements. This experience and familiarities with the process will allow the Finance Officer to complete the financial statements in an accurate and timely manner in the future.

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

Recommendation

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

Foundation Response

The Foundation agrees.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

12-2. Finding (Segregation of Duties)

The Illinois Conservation Foundation (Foundation) has two employees, an Executive Director and a property manager, and two contractual employees, the Chief Financial Officer and the Contract Federal Grant Director. Because of the small size of the Foundation staff all of the accounting functions are performed by one employee which creates a segregation of duties issue.

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

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

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

Recommendation

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

Foundation Response

The Foundation agrees.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE

12-3. Finding (Noncompliance with Accountability for the Investment of Public Funds Act (Act))

The Illinois Conservation Foundation (Foundation) did not present information on the Internet concerning their investment of public funds as required by the Act. The Foundation had the following investment balances that would be classified as public funds by the Act at June 30, 2012:

Debt Securities	\$ 1,098,328
Equity Securities	1,405,871
Commodities	36,558
Real Estate	23,456
Other Assets	<u>11,375</u>
TOTAL	<u>\$ 2,575,588</u>

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

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

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

Foundation personnel stated they did not believe the Act applied to the Foundation and will seek a legislative exemption from the Act. Due to limited resources and other legislative priorities, this legislation has not yet been introduced.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE

**12-3. Finding (Noncompliance with Accountability for the Investment of Public Funds Act (Act))
(Continued)**

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

Recommendation

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

Foundation Response

The Foundation respectfully disagrees. The Foundation will seek legislation to clarify its exemption from the Investment of Public Funds Act.

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

SCHEDULE OF FINDINGS
PRIOR FINDINGS NOT REPEATED – STATE COMPLIANCE

A. Finding (Disbursement Processing Weakness)

During the prior audit, the Illinois Conservation Foundation (Foundation) did not follow its procedures and policies regarding disbursement processing. The Foundation did not properly obtain two signatures on all checks written for more than \$5,000.

During the current audit, the Foundation improved controls over disbursement processing.
(Finding Code No. 11-3, 10-3, 09-3)

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Agency's internal control over financial reporting that they consider to be material weaknesses and significant deficiencies. The material weakness is described in the accompanying Schedule of Findings listed in the table of contents as finding 12-1 (Financial Statement Preparation). The significant deficiency is described in the accompanying Schedule of Findings listed in the table of contents as finding 12-2 (Segregation of Duties).



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Illinois Conservation Foundation
Springfield, Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Illinois Conservation Foundation (A Component Unit of the State of Illinois) (Foundation) as of and for the year ended June 30, 2012, 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, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 12, the Foundation did not record all noncash contributions in the Statement of Activities. Accounting principles generally accepted in the United States of American require noncash contributed capital or financial resources be recorded at estimated fair value at the time of receipt. The amount by which this departure would affect the revenue and net assets in the Statement of Activities is not reasonably determinable.

In our opinion, except for the effects of not recording all of the noncash contributions in the Statement of Activities as described in the preceding paragraph, 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, 2012, 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 a report dated December 17, 2012 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 23 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The accompanying supplementary information for the year ended June 30, 2012, in the State Compliance Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2012, in the State Compliance Schedules 1 through 6 have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2012 in the State Compliance Schedules 1 through 6 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Foundation's basic financial statements for the year ended June 30, 2011 (not presented herein), were audited by other auditors whose report thereon dated January 11, 2012, expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated January 11, 2012, stated that the State Compliance Schedules 1 through 6 for the year ended June 30, 2011 has been subjected to the auditing procedures applied in the audit of the 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2011.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Mattoon, Illinois
December 17, 2012

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

Introduction

The following Management's Discussion and Analysis (MD&A) provides an introduction and overview of the Illinois Conservation Foundation's (Foundation) financial activities for the fiscal year ended June 30, 2012. The Foundation is a not-for-profit corporation created to provide additional funding for the Illinois Department of Natural Resources' (IDNR) conservation programs that either are not receiving adequate funding or else cannot be implemented because State funding is not available. The specific purposes of the corporation are to solicit and generate private funding and donations that assist in enhancing and preserving Illinois' natural habitats, historic sites, river and stream corridors, state parks, forests and fish and wildlife areas. The Foundation also accepts grants for acquisition, construction and development of IDNR properties, and supports recreational programs of the IDNR.

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

Financial Highlights

The net assets of the Foundation totaled \$7,375,516 at fiscal year ended June 30, 2012, compared to \$7,510,084 at fiscal year ended June 30, 2011. The Foundation had total revenue of \$1,668,291 and expenditures of \$1,835,580 for the fiscal year ending June 30, 2012 for a decrease in net assets of \$(167,289).

Overview of the Financial Statements

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

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

Overview of the Financial Statements Continued

Condensed Comparative Summary of Net Assets as of June 30

	<u>2012</u>	<u>2011</u>	<u>2012/2011 Change</u>
Cash and Cash Equivalents	\$ 399,120	\$ 554,692	\$ (155,572)
Accounts Receivable	24,155	11,687	12,468
Accrued Investment Income	9,605	11,418	(1,813)
Prepaid Expenses	11,725	4,884	6,841
Investments	2,573,693	2,552,437	21,256
Capital Assets	<u>4,423,104</u>	<u>4,397,224</u>	<u>25,880</u>
Total Assets	\$7,441,402	\$7,532,342	\$ (90,940)
Liabilities	<u>65,886</u>	<u>22,258</u>	<u>43,628</u>
Total Net Assets	<u>\$7,375,516</u>	<u>\$7,510,084</u>	<u>\$ (134,568)</u>

The Statement of Activities presents information regarding changes during the fiscal year ended June 30, 2012. 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>2012</u>	<u>2011</u>	<u>2012/2011 Change</u>
Additions:			
Governmental Activities	\$ 1,735,771	\$ 6,181,077	\$ (4,445,306)
General	<u>(67,480)</u>	<u>419,757</u>	<u>(487,237)</u>
Total	<u>\$ 1,668,291</u>	<u>\$ 6,600,834</u>	<u>\$ (4,932,543)</u>
Deduction:			
Governmental Activities	<u>\$ 1,802,859</u>	<u>\$ 2,050,289</u>	<u>\$ (247,430)</u>
Total	<u>\$ 1,802,859</u>	<u>\$ 2,050,289</u>	<u>\$ (247,430)</u>
Change in net assets	<u>\$ (134,568)</u>	<u>\$ 4,550,545</u>	<u>\$ (4,685,113)</u>

Overall, there is a decrease in net assets as reflected on the Statement of Activities of \$(134,568) at June 30, 2012, compared to an increase of \$4,550,545 at June 30, 2011.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF NET ASSETS
JUNE 30, 2012

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 399,120
Accounts receivable	24,155
Accrued investment income	9,605
Prepaid expense	11,725
Total current assets	444,605
Noncurrent Assets:	
Investments	2,573,693
Capital assets, net	4,423,104
TOTAL ASSETS	7,441,402
LIABILITIES:	
Current Liabilities:	
Accounts payable	37,752
Accrued expenses	28,134
TOTAL LIABILITIES	65,886
NET ASSETS:	
Restricted for:	
Natural resources and recreation	1,221,810
Endowment-nonexpendable	118,944
Unrestricted	1,611,658
Investment in capital assets, net of related debt	4,423,104
TOTAL NET ASSETS	\$ 7,375,516

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, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE			NET (EXPENSE) REVENUE
		CHARGES FOR GOODS	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Environment and Business					
Regulation:					
General administrative	\$ 558,277	\$ -	\$ 452,447	\$ -	\$ (105,830)
Natural resources and recreation	1,244,582	33,026	1,241,598	8,700	38,742
Total Governmental Activities	\$ 1,802,859	\$ 33,026	\$ 1,694,045	\$ 8,700	(67,088)

General Revenue:	
Unrestricted realized loss	(10,766)
Unrestricted investment-unrealized loss	(139,447)
Unrestricted investment earnings	<u>82,733</u>
Change in Net Assets	(134,568)
Net assets-Beginning	<u>7,510,084</u>
Net assets-Ending	<u>\$ 7,375,516</u>

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, 2012

	<u>SPECIAL REVENUE FUND</u>	<u>PERMANENT FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$ 383,776	\$ 15,344	\$ 399,120
Accounts receivable	24,155	-	24,155
Accrued investment income	9,605	-	9,605
Investments	2,470,093	103,600	2,573,693
Total Assets	<u>\$ 2,887,629</u>	<u>\$ 118,944</u>	<u>\$ 3,006,573</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 37,752	\$ -	\$ 37,752
Accrued expenses	28,134	-	28,134
Total Liabilities	<u>65,886</u>	<u>-</u>	<u>65,886</u>
Fund Balances:			
Nonspendable	-	103,600	103,600
Restricted:			
Natural resources and recreation	1,221,810	-	1,221,810
Education	-	15,344	15,344
Unassigned	1,599,933	-	1,599,933
Total Fund Balances	<u>2,821,743</u>	<u>118,944</u>	<u>2,940,687</u>
Total Liabilities and Fund Balances	<u>\$ 2,887,629</u>	<u>\$ 118,944</u>	<u>\$ 3,006,573</u>

The accompanying notes are an integral part of these statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

Total fund balances - governmental funds	\$ 2,940,687
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.	11,725
Capital assets used in Governmental Activities are not financial resources and therefore, are not reported in the funds.	4,423,104
Net assets of governmental activities	<u>\$ 7,375,516</u>

The accompanying notes are an integral part of these statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUND	PERMANENT FUND	ELIMINATIONS	TOTAL
Revenues				
Donations-restricted	\$ 922,393	\$ 10,000	\$ -	\$ 932,393
Grants and receipts from governments	398,057	-	-	398,057
Investment income-restricted	-	6,000	-	6,000
Investment income (loss)-unrestricted	82,733	(7,300)	-	75,433
Investment income-unrestricted unrealized loss	(139,447)	-	-	(139,447)
Investment income-unrestricted realized loss	(10,766)	-	-	(10,766)
Donations-unrestricted	114,449	-	-	114,449
Merchandise sales-restricted	33,026	-	-	33,026
On-behalf payments	259,146	-	-	259,146
Total Revenues	<u>1,659,591</u>	<u>8,700</u>	<u>-</u>	<u>1,668,291</u>
Expenditures				
Administrative	309,367	-	-	309,367
Natural resources and recreation	1,264,716	2,351	-	1,267,067
On-behalf payments	259,146	-	-	259,146
Total Expenditures	<u>1,833,229</u>	<u>2,351</u>	<u>-</u>	<u>1,835,580</u>
Other Financing Sources (Uses)				
Transfers in	14,913	-	(14,913)	-
Transfers out	-	(14,913)	14,913	-
Total Other Financing Sources (Uses)	<u>14,913</u>	<u>(14,913)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(158,725)	(8,564)	-	(167,289)
Fund Balance-Beginning	<u>2,980,468</u>	<u>127,508</u>	<u>-</u>	<u>3,107,976</u>
Fund Balance-Ending	<u>\$ 2,821,743</u>	<u>\$ 118,944</u>	<u>\$ -</u>	<u>\$ 2,940,687</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, 2012

Net change in fund balances - total governmental funds	\$	(167,289)
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.		6,841
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets purchases capitalized		65,207
Fair market value of contributed assets		25,300
Depreciation expense		<u>(64,627)</u>
Change in net assets of governmental activities	\$	<u><u>(134,568)</u></u>

The accompanying notes are an integral part of these statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

In 2012, the Foundation implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. The Foundation implemented these standards during the current year; however, GASB Statement No. 64 had no impact on the financial statements. The implementation of GASB Statement No. 54 changed fund balance reporting for governmental funds by adding some additional fund balance classifications, clarifying government fund type definitions, and providing additional disclosures on how fund balance constraints are imposed and may be modified or eliminated. The implementation of GASB Statement No. 57 amends GASB Statement No. 45, permitting an agent employer with an OPEB plan with fewer than 100 plan members to use the alternative measurement method to produce actuarially based information for purposes of financial reporting.

B. Date of Management's Review

Management has evaluated subsequent events through December 17, 2012, the date when the financial statements were available to be issued.

C. Financial Reporting Entity

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Reporting Entity (Concluded)

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

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. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to inter-fund activities, such as payables, receivables, and transfers. Inter-fund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. All inter-fund transactions between governmental funds are eliminated on the government-wide financial statements. A brief description of the Foundation's government-wide and fund financial statements is as follows:

Government-wide Statements: The government-wide statement of net 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Concluded)

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

The Foundation administers the following major governmental funds:

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

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

E. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Foundation gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. On an accrual basis, revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Concluded)

Significant revenue sources which are susceptible to accrual include merchandise sales and investment income. Donations are considered to be measurable and available only when cash is received. Grant revenues are recognized on a cost-reimbursement basis.

F. Cash and Cash Equivalents

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

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

I. Capital Assets

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

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

J. Contributions

Gifts of cash and other assets received are reported as unrestricted revenue and net assets, unless subject to time restrictions. When a donor stipulated time restriction ends, restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets from restrictions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Contributions (Concluded)

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

Noncash contributions are recorded at estimated fair value when received.

K. Governmental Fund Balances

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

L. Net Assets

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

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Foundation’s policy to use restricted resources first, then unrestricted resources when they are needed.

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

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

M. 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.

N. Compensated Absences

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

NOTE 2: DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents consist of checking and money market accounts at June 30, 2012.

The Foundation’s cash and cash equivalents had a bank balance of \$326,866 and a carrying balance of \$399,120 at June 30, 2012. Of the total bank balances, \$128,395 was secured by Federal Depository Insurance Corporation coverage and \$198,471 was invested in U.S. Treasury securities and repurchase agreements for securities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

The Foundation's Investment Policy notes their objective is to preserve capital, invest only in high quality securities and earn reasonable returns. Approximately 25% of donor funds are required to be invested in order to be available on demand. No single issue shall constitute more than 5% of the total portfolio, with the exception of government obligations. The portfolios are to be constructed across different U.S. asset classes (stocks, bonds and cash). Investments in debt securities and equity securities with readily determinable fair values are carried at fair value based on quoted prices in active markets (all Level 1 measurements).

Investment Summary Schedule

As of June 30, 2012 the Foundation had the following investments and maturities.

Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Agency Obligations	\$ 10,117	\$ -	\$ 10,117	\$ -	\$ -
Corporate Debt Securities	653,268	36,498	454,631	162,139	-
Total Debt Securities	663,385	<u>\$ 36,498</u>	<u>\$ 464,748</u>	<u>\$ 162,139</u>	<u>\$ -</u>
Certificate of Deposit	128,270				
Corporate Equity Securities	1,303,968				
International Equity Securities	109,367				
Mutual Funds	308,689				
Commodities	36,558				
Real Estate	23,456				
Total Investments	<u>\$2,573,693</u>				

Interest Rate Risk

The Foundation does not have a formal investment policy that limits investment maturities as a means of managing the exposure to fair value losses arising from increasing interest rates. Interest rate risk can be managed using weighted average maturity (WAM). Weighted average maturity is calculated taking into consideration call dates, prepayment assumptions and other features that affect the actual maturity dates of the securities in the consolidated portfolios. On June 30, 2012 the Foundation's WAM was as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2: DEPOSITS AND INVESTMENTS (CONCLUDED)

B. Investments (Concluded)

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Agency Obligations	\$ 10,117	2.80
Corporate Debt Securities	653,268	3.20
Certificate of Deposit	128,270	3.90
Corporate Equity Securities	1,303,968	0.00
International Equity Securities	109,367	0.00
Mutual Funds	308,689	0.00
Commodities	36,558	0.00
Real Estate	23,456	0.00
	<u>\$ 2,573,693</u>	<u>3.31</u>

Concentration of Credit Risk and Credit Risk for Investments

The Foundation does not have a formal investment policy that limits investment choices. The Foundation investment policy sets forth no single issue shall constitute more than 5% of the total portfolio, with the exception of government obligations. The following table presents the quality ratings of debt securities held by the Foundation as of June 30, 2012.

Concentration of Credit Risk and Credit Risk for Investments (Concluded)

Investment Type	Moody's Quality Rating	Fair Value
Corporate Obligations	A1	\$ 154,667
	A2	124,468
	A3	123,337
	Aa2	42,671
	BAA1	77,273
	Baa1	25,123
	NR	<u>105,729</u>
Total Corporate Obligations		653,268
Agency Obligations	AAA	<u>10,117</u>
Total Debt Securites		<u>\$ 663,385</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3: RESTRICTED FUND BALANCE

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

On October 28, 1996, a private donation of 3,500 (5,504 shares adjusted for a 3 for 2 stock split in December, 2002 and reinvesting a special capital gain in fiscal year 2003) shares of Adams Express Stock was made to the Foundation for the purpose of establishing a permanent endowment. The value of the stock as of the date of the donation was \$70,219. A donation was made in November 2010 to purchase an additional 4,496 shares, to bring the total holdings of Adams Express Stock to 10,000 shares. Earnings, in the form of dividends, from these securities are to be used to provide funds for schools and other youth organizations to engage in conservation projects which are both useful in the environment and educational to those involved. That portion of the fund balance that is the result of the endowment donation is reserved for Endowment-Nonexpendable. That portion of the fund balance that is the result of unspent earnings from endowment investments is reserved for education.

NOTE 4: INCOME TAXES

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

NOTE 5: RELATED PARTY TRANSACTIONS

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

The amount of financial assistance from the Department being included in the Foundation's financial statements for the year ended June 30, 2012 is as follows:

Salaries	\$ 144,754
Benefits	<u>114,392</u>
Total	<u>\$ 259,146</u>

The total of \$259,146 is included in the Statement of Activities as a General Administrative revenue and expense; it is included on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds as on-behalf revenue and expense.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6: COMMITMENTS

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

Over the past ten years, the Foundation has been awarded nine grants from the Forest Service of the U.S. Department of Agriculture and ten grants from the Fish and Wildlife Service of the U.S. Department of the Interior to partially fund this project. The amounts awarded on these grants total \$7,319,500. In fiscal year 2012, the Foundation paid a total of \$290,625 to Chicago Wilderness Members. Over the past ten years, the Foundation has received \$7,006,053 for the Chicago Wilderness partners. The Foundation has negotiated a 5%-10% indirect costs rate agreement with the federal funding agencies to cover administrative and other costs of the project. Six of the grants from the U.S. Department of Agriculture and nine of the grants from the Department of the Interior have been closed.

The most recent Department of Agriculture award extends through September 30, 2013 and the latest award from the Department of the Interior was extended through September 30, 2012.

NOTE 7: ACCOUNTS RECEIVABLE

At June 30, 2012, the Foundation had accounts receivable of \$24,155. This amount consists of \$1,500 in federal grants and \$22,655 in miscellaneous receipts. The Foundation considers all the accounts receivable to be fully collectible.

NOTE 8: RISK MANAGEMENT

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 2,968,000	\$ -	\$ -	\$ 2,968,000
Construction-in-progress	-	90,507	-	90,507
Total capital assets not being depreciated	<u>2,968,000</u>	<u>90,507</u>	<u>-</u>	<u>3,058,507</u>
Capital assets being depreciated:				
Buildings	1,365,000	-	-	1,365,000
Equipment	123,286	-	-	123,286
Total capital assets being depreciated	<u>1,488,286</u>	<u>-</u>	<u>-</u>	<u>1,488,286</u>
Less accumulated depreciation:				
Buildings	(38,729)	(42,250)	-	(80,979)
Equipment	(20,333)	(22,377)	-	(42,710)
Total accumulated depreciation	<u>(59,062)</u>	<u>(64,627)</u>	<u>-</u>	<u>(123,689)</u>
Governmental Activities -				
Capital Assets, Net	<u>\$ 4,397,224</u>	<u>\$ 25,880</u>	<u>\$ -</u>	<u>\$ 4,423,104</u>

Capital assets are being depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2012 of \$64,627 was charged to the governmental activities on the government-wide Statement of Activities.

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

NOTE 10: INTERFUND ACTIVITY

Interfund transfers in/out to other fund balances at June 30, 2012, consists of the following individual transfers in/out to other funds in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10: INTERFUND ACTIVITY (CONCLUDED)

	<u>Transfer In</u>	<u>Transfer Out</u>
Special Revenue Fund	\$ 14,913	\$ -
Permanent Fund	-	14,913
	<u>\$ 14,913</u>	<u>\$ 14,913</u>

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

NOTE 11: DONOR RESTRICTED ENDOWMENTS

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

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

NOTE 12: NONCASH CONTRIBUTIONS

As reported in finding 12-1, the Foundation did not track or record the noncash financial resource contributions they received during the year. Management did maintain documentation to support the value of materials, facilities, and services that were donated to their Torstenson Property, however, they did not maintain sufficient documentation to determine the value of noncash contributions made to the Foundation's special events held throughout the year.

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

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

Fiscal Schedules and Analysis:

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

Analysis of Operations (Unaudited):

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

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

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

Schedule of Changes in Property
For the Years Ended June 30, 2012 and 2011

	<u>Building and Improvements</u>	<u>Equipment</u>	<u>Land</u>	<u>Construction- in-Progress</u>	<u>Total</u>
Balance at June 30, 2011	\$ 1,365,000	\$ 123,286	\$ 2,968,000	\$ -	\$ 4,456,286
Additions	-	-	-	90,507	90,507
Retirements and disposals	-	-	-	-	-
Balance at June 30, 2012	<u>\$ 1,365,000</u>	<u>\$ 123,286</u>	<u>\$ 2,968,000</u>	<u>\$ 90,507</u>	<u>\$ 4,546,793</u>

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents, beginning	\$ 554,692	\$ 426,471
Receipts:		
Donations	1,046,842	952,382
Grants and receipts from other governments	398,057	497,609
Merchandise sales	33,026	47,317
Publication sales	-	25
Investment income	(68,780)	91,667
Sale of investments	1,522,806	1,846,218
Disbursements:		
General administrative	(309,367)	(289,687)
Programs	(1,267,067)	(1,497,136)
Purchase of investments	<u>(1,511,089)</u>	<u>(1,520,174)</u>
Cash and cash equivalents, ending	<u>\$ 399,120</u>	<u>\$ 554,692</u>

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

Analysis of Significant Variations in Expenditures
For the Years Ended June 30, 2012 and 2011

Program	2012	2011	Increase (Decrease)	%
(1) Land Acquisition	\$ -	\$ 144,000	\$ (144,000)	-100.0%
(2) Dynegy Midwest Generation Settlement	5,020	98,114	(93,094)	-94.9%
(3) Torstenson Property	327,408	198,388	129,020	65.0%
(4) Sportsman Against Hunger	11,621	39,839	(28,218)	-70.8%
(5) Forestry: Tree Planting	24,641	49,808	(25,167)	-50.5%
(6) Celebrity Whitetail Hunt	-	19,033	(19,033)	-100.0%
(7) Sportsman Raffle	61,764	37,721	24,043	63.7%
(8) Youth Fishing	157	23,646	(23,489)	-99.3%
(9) Creating Habitat and Home for Wildlife	-	24,236	(24,236)	-100.0%
(10) General and Administrative Expenses	309,367	284,328	25,039	8.8%
(11) Federal Funds	392,279	460,991	(68,712)	-14.9%
(12) ENTICE Program	34,004	62,137	(28,133)	-45.3%
(13) Illinois and Michigan Trail Projects	48,600	3,600	45,000	1250.0%
(14) Special Events: Youth Programs	11,175	24,076	(12,901)	-53.6%

(1) Land acquisition decreased \$144,000 or 100.0% in fiscal year 2012. In fiscal year 2011, the Foundation contributed toward a major land acquisition and there were no land purchases in fiscal year 2012.

(2) Dynegy Midwest Settlement decreased \$93,094 or 94.9% in fiscal year 2012. The program was winding down in fiscal year 2011 so very few funds were available for expenditure in fiscal year 2012.

(3) Torstenson Property increased \$129,020 or 65.0% in fiscal year 2012. Fiscal year 2011 was the first year the Foundation owned the Torstenson property and therefore only had a partial year of expenses. In fiscal year 2012, construction of an education center on the property was also started.

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

Analysis of Significant Variations in Expenditures (Concluded)
For the Years Ended June 30, 2012 and 2011

- (4) Sportsman Against Hunger decreased \$28,218 or 70.8% in fiscal year 2012. The number of deer processed in the non-fish and wildlife eligible counties fluctuates from year to year.
- (5) Forestry: Tree Planting decreased \$25,167 or 50.5% in fiscal year 2012. The Foundation received a donation in a prior fiscal year to plant trees. The Foundation is nearing the end of the program's resources and are slowly drawing down the funds each year.
- (6) Celebrity Whitetail Hunt decreased \$19,033 or 100.0% in fiscal year 2012. The Foundation did not coordinate a Celebrity Whitetail Hunt event in fiscal year 2012.
- (7) Sportsman Raffle increased \$24,043 or 63.7% in fiscal year 2012. In fiscal year 2011, the Foundation shared the cost of the event with the Illinois Association of Park Districts; however, in fiscal year 2012, the Foundation was responsible for the event and therefore covered all of the expenses.
- (8) Youth Fishing decreased \$23,489 or 99.3% in fiscal year 2012. The Youth Fishing project was newly funded in fiscal year 2011 and had very few expenditures in fiscal year 2012.
- (9) Creating Habitat and Home for Wildlife decreased \$24,236 or 100.0% in fiscal year 2012. This program was a new program for fiscal year 2011 and all funds were expended in that year.
- (10) General Administrative Expenses increased \$25,039 or 8.8% in fiscal year 2012. In fiscal year 2012, a liability was recorded for accrued vacation and sick time. Also, during the change in the CFO position, the outgoing and incoming employees were both on the payroll for a short period of time and an events coordinator was hired.
- (11) Federal Funds decreased \$68,712 or 14.9% in fiscal year 2012. The grants that the Foundation routinely participates in are getting smaller and some are no longer available. Also, with the resignation of the Contract Federal Grant Director, who has not been replaced, many federal grants have not been reapplied for.
- (12) ENTICE Program decreased \$28,133 or 45.3% in fiscal year 2012. The program expenditures are based on a school calendar year and not a state fiscal year. Additional expenditures will be incurred in the fall of 2012 concerning this program.
- (13) Illinois and Michigan Trail Projects increased \$45,000 or 1,250.0% in fiscal year 2012. The increase in program expenditures is due to various small construction projects along the trail funded from the Exelon settlement.
- (14) Special Events: Youth Programs decreased \$12,901 or 53.6% in fiscal year 2012. Due to economic issues, donations have decreased as have registrations of participants. Therefore, expenses to coordinate events have decreased.

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

Analysis of Significant Variations in Revenues
For the Years Ended June 30, 2012 and 2011

Program	2012	2011	Increase (Decrease)	%
(1) Grants and Receipts from Governments	\$ 398,057	\$ 488,259	\$ (90,202)	-18.5%
(2) Donations - Restricted	932,393	796,295	136,098	17.1%
(3) Investment Income - Unrestricted Unrealized Gain (Loss)	(139,447)	324,022	(463,469)	-143.0%
(4) Investment Income - Unrestricted Realized Gain (Loss)	(10,766)	9,999	(20,765)	-207.7%
(5) Investment Income - Restricted	6,000	4,875	1,125	23.1%
(6) Donations - Unrestricted	114,449	153,890	(39,441)	-25.6%
(7) On-behalf Payments	259,146	216,876	42,270	19.5%
(8) Investment Income - Unrestricted	75,433	85,736	(10,303)	-12.0%
(9) Merchandise Sales - Restricted	33,026	47,317	(14,291)	-30.2%

- (1) Grants and Receipts from Governments decreased \$90,202 or 18.5% in fiscal year 2012. The decrease was due to decreased activity in the Foundation's federal programs.
- (2) Donations - Restricted increased \$136,098 or 17.1% in fiscal year 2012. The increase was due to donations, both cash and noncash, received for the Torstenson property in fiscal year 2012.
- (3) Investment Income - Unrestricted Unrealized Gain (Loss) decreased \$463,469 or 143.0% in fiscal year 2012. The decrease was due to a very volatile financial market.
- (4) Investment Income - Unrestricted Realized Gain (Loss) decreased \$20,765 or 207.7% in fiscal year 2012. The decrease was due to fluctuations in timing of realized gains and losses.
- (5) Investment Income - Restricted increased \$1,125 or 23.1% in fiscal year 2012. This increase was the result of additional restricted investment purchases during the current fiscal year.

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

Analysis of Significant Variations in Revenues (Concluded)
For the Years Ended June 30, 2012 and 2011

- (6) Donations - Unrestricted decreased \$39,441 or 25.6% in fiscal year 2012. The decrease was due to not coordinating the Celebrity Whitetail Hunt and other programs in fiscal year 2012.
- (7) On-behalf Payments increased \$42,270 or 19.5% in fiscal year 2012. The increase was due to the calculation of State paid group insurance costs.
- (8) Investment Income - Unrestricted decreased \$10,303 or 12.0% in fiscal year 2012. The decrease was due to a very unstable financial market in 2012.
- (9) Merchandise Sales - Restricted decreased \$14,291 or 30.2% in fiscal year 2012. The decrease was caused by a decrease in the sale of deer and turkey pins.

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

Analysis of Significant Balance Sheet Accounts
For the Years Ended June 30, 2012 and 2011

Account	2012	2011	Increase (Decrease)	%
(1) Cash and Cash Equivalents	\$ 339,120	\$ 554,692	\$ (215,572)	-38.9%
(2) Accounts Receivable	24,155	11,687	12,468	106.7%
(3) Investments	2,633,693	2,552,437	81,256	3.2%
(4) Accounts Payable	37,752	17,984	19,768	109.9%
(5) Accrued Expenses	28,134	4,274	23,860	558.3%

- (1) Cash and cash equivalents decreased \$215,572 or 38.9% in fiscal year 2012. The decrease was due to increased expenses regarding Torstenson Farm.
- (2) Accounts receivable increased \$12,468 or 106.7% in fiscal year 2012. The increase was due to restitution receivables and a receivable for the purchase of pheasants for Torstenson Farm.
- (3) Investments, net of realized and unrealized losses, increased \$81,256 or 3.2% in fiscal year 2012. The increase was due to an improved market near the end of fiscal year 2012.
- (4) Accounts payable increased \$19,768 or 109.9% in fiscal year 2012. The increase was due to work completed at Torstenson Farm for the Education Center that was payable at year end.
- (5) Accrued expenses increased \$23,860 or 558.3% in fiscal year 2012. The increase was due to recording the vacation accrual for Foundation employees.

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, 2012 and 2011

	2012	2011	Increase (Decrease)
(1) Accounts Receivable	\$ 24,155	\$ 11,687	\$ 12,468
(2) Accrued Investment Income	9,605	11,418	(1,813)

- (1) Accounts receivable consists of a) amounts due from the sale of deer and turkey pins prior to June 30, 2012 and funds not remitted until after July 1, 2012 and b) amounts due from the Grantor Agency for federal expenditures incurred in fiscal year 2012 but not reimbursed until July, 2012 and c) amounts due from restitution payments and d) amount due for the purchase of pheasants for Torstenson Farm and e) registration fees received before June 30, 2012 but not deposited until July 2012.

a) Under 60 days old-	\$ 1,020
b) Under 60 days old-	1,590
c) Under 60 days old-	5,655
d) Under 60 days old-	7,590
e) Under 60 days old-	8,300
	\$ 24,155

- (2) Accrued investment income consists of interest earned on cash equivalents for the year ended June 30, 2012, but not remitted until July, 2012.

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

Agency Functions and Planning Program
June 30, 2012
(Unaudited Disclosures by Agency Management)

Agency Function

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

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

- 1 appointment designated by Statute
- 2 by the President of the Illinois Senate
- 2 by the Minority Leader of the Illinois Senate
- 2 by the Speaker of the Illinois House of Representatives
- 2 by the Minority Leader of the Illinois House of Representatives
- 4 by the Governor

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

Planning Program

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

MISSION STATEMENT

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

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

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

Agency Functions and Planning Program
June 30, 2012
(Unaudited Disclosures by Agency Management)

GUIDELINES

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

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

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

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

AVERAGE NUMBER OF EMPLOYEES AND FOUNDATION MEMBERS
(Unaudited Disclosures by Agency Management)

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

<u>Fiscal Year</u>	<u>Employees</u>	<u>Foundation Members</u>
2010	1	13
2011	1	12
2012	2	11

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

Comparative Schedule of Administrative Expenditures
For the Years Ended June 30, 2012 and 2011
(Unaudited Disclosures by Agency Management)

	<u>2012</u>	<u>2011</u>	Increase (Decrease)
Accounting	\$ 33,777	\$ 22,209	\$ 11,568
Director's Salary	150,731	127,027	23,704
General Administrative	<u>124,859</u>	<u>135,092</u>	<u>(10,233)</u>
Total Administrative Expenditures	<u>\$ 309,367</u>	<u>\$ 284,328</u>	<u>\$ 25,039</u>
 TOTAL EXPENDITURES	 <u>\$ 1,835,580</u>	 <u>\$ 1,986,737</u>	
 % of Administrative Expenditures to Total Expenditures	 <u>16.85%</u>	 <u>14.31%</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 resource organizations in the northeastern Illinois six county area. The program has been funded over the past 10 years by \$7,139,500 in grants for the U.S. Forest Service and the U.S. Fish and Wildlife Service.
- The Foundation administered the distribution of \$10,179 for the Target Hunger Now Program. The program educates the public on cooking Asian carp and helps feed the indigent.
- The Foundation coordinated the fundraising for various youth programs, scholarships, and special events.
- The Foundation issued 34 Illinois Biodiversity Field Trip grants totaling \$34,033.
- In June 2012, the Foundation began the construction of a Learning Center at the Torstenson Family Youth Conservation Education Center expending \$65,206. The Learning Center will be completed in fiscal year 2013.

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

Schedule of Indirect Cost Reimbursements
For the Years Ended June 30, 2012 and 2011
(Unaudited Disclosures by Agency Management)

The indirect cost reimbursements are based on rates negotiated with the U.S. Department of Interior and the U.S. Department of Agriculture. These indirect cost reimbursements provide funding for allowable program costs that are incurred for a common purpose and are not assignable to specific cost objectives. Indirect cost reimbursements are deposited into the Foundations checking account. Following are reimbursements deposited during fiscal year 2012 and 2011:

Federal Programs/Grants	<u>2012</u>	<u>2011</u>
U.S. Department of Interior		
Fish and Wildlife Enhancement	\$ 5,790	\$ 12,925
U.S. Department of Agriculture		
Cooperative Forestry Assistance	4,260	7,237
Forest Land Enhancement Program	-	551
Fire Crew	-	271
Wood Education and Resource Center (WERC)	-	3,544
Midewin National Tallgrass Prairie	-	2,740
	<u> </u>	<u> </u>
Total Indirect Cost Reimbursements	<u>\$ 10,050</u>	<u>\$ 27,268</u>