

THE ILLINOIS LITERACY FOUNDATION  
(A Component Unit of the State of Illinois)

FINANCIAL AUDIT AND COMPLIANCE  
EXAMINATION

For the Two Years Ended June 30, 2011

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

THE ILLINOIS LITERACY FOUNDATION  
(A Component Unit of the State of Illinois)

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2011

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THE ILLINOIS LITERACY FOUNDATION  
(A Component Unit of the State of Illinois)

AGENCY OFFICIALS

Ex Officio Director	Honorable Jesse White, Secretary of State
Executive Director	Thomas N. Benigno
President	Anthony Taylor
Vice President	Caroline Sanchez Crozier
Treasurer/Secretary	Dr. Roberto R. Castaneda

Agency offices are located at:

100 West Randolph Street  
Chicago, IL 60601



## The Illinois Literacy Foundation

James R. Thompson Center  
P.O. Box 64386  
Chicago, Illinois 60664-0386

### MANAGEMENT ASSERTION LETTER

February 8, 2012

Sikich LLP  
132 S. Water Street, Suite 300  
Decatur, Illinois 62525

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Literacy Foundation (Foundation). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Foundation's compliance with the following assertions during the two-year period ended June 30, 2011. Based on this evaluation, we assert that during the years ended June 30, 2010 and June 30, 2011, 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.

**HONORABLE JESSE WHITE**  
Secretary of State  
State Librarian  
Ex-Officio Director

#### **BOARD OF DIRECTORS**

##### *President*

Anthony Taylor

##### *Vice-President*

Caroline Sanchez Crozier

##### *Treasurer*

Dr. Roberto Castaneda

##### *Recording Secretary*

Joyce O. Calvert

George Burciaga

Sunny Chico

Richard Dent

Roderick Hawkins

Michael C. Mroz

Crystal Reynolds

Nikki Zollar

##### *Members Emeritus*

Commissioner Mary Dempsey

John Rosales

Thomas N. Benigno

*Executive Director*

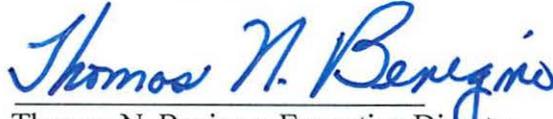
*Deputy Secretary of State/Chief of Staff*

The Mission of the Illinois Literacy Foundation is to partner with the corporate and private sectors to enhance literacy awareness and support literacy programs throughout the State of Illinois. Therefore, in collaboration with corporate and private entities, local businesses and state agencies, the Foundation strives to promote the enjoyment of reading and learning by addressing the literacy needs of the people of Illinois.

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,

The Illinois Literacy Foundation



Thomas N. Benigno, Executive Director



Greg McCormick, Fiscal Officer



Nathan Maddox, Legal Counsel

THE ILLINOIS LITERACY FOUNDATION  
(A Component Unit of the State of Illinois)

COMPLIANCE REPORT

SUMMARY

For the Two Years Ended June 30, 2011 and 2010

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' REPORTS

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

SCHEDULE OF FINDINGS

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

There were no current findings and recommendations.

FINDINGS (*STATE COMPLIANCE*)

There were no current findings and recommendations.

PRIOR FINDINGS NOT REPEATED

There were no prior findings.

EXIT CONFERENCE

The Illinois Literacy Foundation waived a formal exit conference in a communication dated February 7, 2012.



132 South Water, Suite 300, P.O. Box 1460 • Decatur, Illinois 62525-1460

**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  
and  
Board of Directors  
The Illinois Literacy Foundation

**Compliance**

As Special Assistant Auditors for the Auditor General, we have examined The Illinois Literacy Foundation's (the Foundation), a component unit of the State of Illinois, compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2011. 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.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State

Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Foundation's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2011.

### **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.

*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 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.*

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

There were no immaterial findings that have been excluded from this report.

### **Supplementary Information for State Compliance Purposes**

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities and the major fund of the Foundation as of and for the years ended June 30, 2011 and June 30, 2010, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated February 8, 2012. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Foundation. The 2011 and 2010 Supplementary Information for State Compliance Purposes has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2011 and 2010, taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Foundation's basic financial statements for the year ended June 30, 2009. In our report dated April 8, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities and the major fund. In our opinion, the 2009 Supplementary Information for State Compliance Purposes is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009, taken as a whole.

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

*Sikich LLP*

Decatur, Illinois  
February 8, 2012



132 South Water, Suite 300, P.O. Box 1460 • Decatur, Illinois 62525-1460

**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 GOVERNMENT AUDITING STANDARDS**

Honorable William G. Holland  
Auditor General  
State of Illinois  
and  
Board of Directors  
The Illinois Literacy Foundation

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities and the major fund of The Illinois Literacy Foundation (the Foundation), a component unit of the State of Illinois, as of and for the years ended June 30, 2011 and June 30, 2010, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated February 8, 2012. 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in blue ink that reads "Sikich LLP". The signature is written in a cursive, flowing style.

Decatur, Illinois  
February 8, 2012

THE ILLINOIS LITERACY FOUNDATION  
(A Component Unit of the State of Illinois)

FINANCIAL STATEMENT REPORT

SUMMARY

For the Years Ended June 30, 2011 and 2010

The audit of the accompanying financial statements of the Illinois Literacy Foundation was performed by Sikich LLP.

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



132 South Water, Suite 300, P.O. Box 1460 • Decatur, Illinois 62525-1460

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois  
and  
Board of Directors  
The Illinois Literacy Foundation

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities and the major fund of The Illinois Literacy Foundation (the Foundation), a component unit of the State of Illinois, as of and for the years ended June 30, 2011 and June 30, 2010, which collectively comprise of 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Foundation as of June 30, 2011 and June 30, 2010, and the respective changes in financial position thereof for the years 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 February 8, 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 audits.

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

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

*Sikich LLP*

Decatur, Illinois  
February 8, 2012

THE ILLINOIS LITERACY FOUNDATION  
(A Component Unit of the State of Illinois)

GOVERNMENTAL FUND BALANCE SHEETS/STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS:		
Cash	<u>\$ 27,793</u>	<u>\$ 33,090</u>
Total Assets	<u><u>\$ 27,793</u></u>	<u><u>\$ 33,090</u></u>
FUND BALANCE/NET ASSETS:		
Assigned/Unrestricted	<u>\$ 27,793</u>	<u>\$ 33,090</u>
Total Net Assets	<u><u>\$ 27,793</u></u>	<u><u>\$ 33,090</u></u>

The accompanying notes are an integral part of these statements.

THE ILLINOIS LITERACY FOUNDATION  
(A Component Unit of the State of Illinois)

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE/STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenditures/ Expenses</u>	<u>Program revenues Operating grants and contributions</u>	<u>Net (expense) revenue</u>
Illinois Literacy Foundation	\$ 202,920	\$ 44,609	\$ (158,311)
General revenues:			
Contributions not restricted to specific programs			152,951
Interest income			63
Total general revenues			<u>153,014</u>
Change in net assets			(5,297)
Fund balance/net assets - beginning			<u>33,090</u>
Fund balance/net assets - ending			<u><u>\$ 27,793</u></u>

The accompanying notes are an integral part of these statements.

THE ILLINOIS LITERACY FOUNDATION  
(A Component Unit of the State of Illinois)

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE/STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenditures/ Expenses</u>	<u>Program revenues Operating grants and contributions</u>	<u>Net (expense) revenue</u>
Illinois Literacy Foundation	\$ 257,271	\$ 111,580	\$ (145,691)
General revenues:			
Contributions not restricted to specific programs			146,716
Interest income			202
Total general revenues			<u>146,918</u>
Change in net assets			1,227
Fund balance/net assets - beginning			<u>31,863</u>
Fund balance/net assets - ending			<u><u>\$ 33,090</u></u>

The accompanying notes are an integral part of these statements.

# THE ILLINOIS LITERACY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Organization

The Illinois Literacy Foundation (the Foundation) was created by State Statute (15 ILCS 322/40) to promote literacy among the residents of the State of Illinois by supporting literacy programs and enhancing Statewide literacy awareness, to make grants and gifts in aid in support of the goal, and to engage generally in other lawful endeavors consistent with the foregoing purposes. The Foundation develops strategies and pioneers test programs that can be implemented at a local level to fill identified gaps in the literacy efforts of the State of Illinois.

#### B. Financial Reporting Entity

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

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

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

Based upon the required criteria, the Foundation has no component units. However, the Foundation is a component unit of the State of Illinois. Therefore, the financial statements of the Foundation are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

#### C. Basis of Presentation

The financial activities of the Foundation, which consist only of governmental activities, are reported as a component unit in the State of Illinois' Comprehensive Annual Report. For its reporting purposes, the Foundation has combined its presentation of the fund financial statements and the government-wide financial statements. There are no differences between the fund financial data and the government-wide data, and therefore, no reconciliation is presented herein. 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 public donations.

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

**Fund Financial Statements:** The fund financial statements provide information about the Foundation's General Fund, utilizing the basis of accounting described in Note 1.D. below.

The Foundation administers the following major governmental fund:

**General Fund** – This is the Foundation's primary operating fund. It accounts for all financial resources of the Foundation. The services that are administered by the Foundation and accounted for in this fund include the promotion of literacy among the residents of the State of Illinois.

#### D. Measurement Focus and Basis of Accounting

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable 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.

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

#### E. Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Foundation is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action of the State legislature and signed into law by the governor. Those committed amounts cannot be used for any other purpose unless the State legislature and governor removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Foundation for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the State legislature.

Unassigned – The unassigned fund balance classification is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications.

The Foundation applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

#### F. Net Assets

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

Unrestricted: This consists of net assets that do not meet the definition of “restricted”, which includes any net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

#### G. Use of Estimates

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

#### H. New Accounting Pronouncements

Effective for the year ending June 30, 2010, the Foundation adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes fund balance classifications and clarifies the definitions of fund types.

## 2. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk. As of June 30, 2011 and 2010, none of the Foundation's bank balances of \$27,793 and \$33,090, respectively, was exposed to custodial credit risk.

## 3. INCOME TAXES

The Foundation is a not-for-profit organization and claims exemption from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Service Code and similar provisions of State tax codes.

## 4. RELATED PARTY TRANSACTIONS

Salaries and wages and the related employee benefits of the Executive Director and his assistants are paid by the State of Illinois Office of the Secretary of State (Office). The Office also provides some administrative expenses for the Foundation.

The amount of financial assistance from the Office to the Foundation for the years ended June 30, 2011 and 2010, was as follows:

	<u>2011</u>	<u>2010</u>
Salaries	\$103,260	\$ 99,288
Benefits	<u>48,230</u>	<u>45,411</u>
Subtotal	151,490	144,699
Commodities	308	220
Printing	-	994
Telecommunications	<u>1,153</u>	<u>803</u>
Total	<u>\$152,951</u>	<u>\$146,716</u>

The totals of \$152,951 and \$146,716 are included in the Statements of Activities as a General Administrative revenue and expense.

THE ILLINOIS LITERACY FOUNDATION  
(A Component Unit of the State of Illinois)

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

For the Years Ended June 30, 2011 and 2010

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

- Fiscal Schedules and Analysis:
  - Comparative Schedule of Revenues and Expenses
  - Analysis of Significant Variations in Revenue
  - Analysis of Significant Variations in Expenditures
  
- Analysis of Operations:
  - Functions and Planning Program
  - Statistical Highlights

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 to 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.

THE ILLINOIS LITERACY FOUNDATION  
(A Component Unit of the State of Illinois)

COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES

For the Years Ended June 30, 2011, 2010, and 2009

	2011	2010	2009
<b>REVENUE</b>			
Direct public support	\$ 44,609	\$ 111,580	\$ 131,226
Interest	63	202	659
Total revenue	44,672	111,782	131,885
<b>EXPENSES</b>			
Contractual	6,108	2,818	2,504
Travel	1,033	264	532
Printing	1,114	-	-
Program grants	41,714	107,473	131,985
Total expenses	49,969	110,555	135,021
<b>CHANGE IN NET ASSETS</b>	<b>\$ (5,297)</b>	<b>\$ 1,227</b>	<b>\$ (3,136)</b>

Note:

The above comparison does not include the on-behalf payments made by the State of Illinois Office of the Secretary of State.

THE ILLINOIS LITERACY FOUNDATION  
(A Component Unit of the State of Illinois)

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE

For the Years Ended June 30, 2011 and 2010

<u>Fiscal Year 2011</u>	<u>2011</u>	<u>2010</u>	<u>Difference</u>	<u>Percent Change</u>
Direct Public Support	\$44,609	\$111,580	(\$66,971)	-150.13%
<u>Fiscal Year 2010</u>	<u>2010</u>	<u>2009</u>	<u>Difference</u>	<u>Percent Change</u>
Direct Public Support	\$111,580	\$131,226	(\$19,646)	-17.61%

The Foundation has historically partnered with a chain of retail book stores in conducting its annual Illinois Literacy Campaign. The campaign was the primary source of donations for fiscal years 2009 through 2011. The decline in direct public support (donations) from 2010 to 2011 was attributable primarily to a decrease in participating stores as well as a downturn in business of the partner stores. The Foundation is currently seeking other vendors to partner with in the future in order to continue the program.

The decrease in donations from 2009 to 2010 was primarily attributable to the timing of the campaign. In 2009, the campaign occurred during the peak holiday season whereas in 2010 it was held at an earlier time period.

THE ILLINOIS LITERACY FOUNDATION  
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ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Years Ended June 30, 2011 and 2010

<u>Fiscal Year 2010</u>	<u>2009</u>	<u>2010</u>	<u>Difference</u>	<u>Percent Change</u>	
Program Grants	\$131,985	\$107,473	(\$24,512)	-22.81%	(1)
<u>Fiscal Year 2011</u>	<u>2010</u>	<u>2011</u>	<u>Difference</u>	<u>Percent Change</u>	
Program Grants	\$107,473	\$41,714	(\$65,759)	-157.64%	(1)
Contractual	\$2,818	\$6,108	\$3,290	53.86%	(2)
Travel	\$264	\$1,033	\$769	74.44%	(3)
Printing	\$0	\$1,114	\$1,114	100.00%	(4)

(1) Program Grants for the Illinois Literacy Campaign relate directly to the revenue generated specifically for the campaign each fiscal year. The decrease in fiscal years 2011 and 2010 program grant expenditures correlate with the decrease in Holiday Literacy Program funds raised as described in the Analysis of Significant Variations in Revenue.

(2) Contractual expenses during fiscal year 2011 increased because the audit fee for the two-year period ending June 30, 2009 was paid in the beginning of fiscal year 2011.

(3) Travel expense during fiscal year 2011 was higher than in previous years due to participation of board representatives from DuQuoin, IL to the meetings in Chicago. The representatives had not been able to attend the regular meetings to this extent in previous fiscal years.

(4) Printing costs for 2009 and 2010 were assumed by Secretary of State and in 2011 were paid directly by the Foundation.

THE ILLINOIS LITERACY FOUNDATION  
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ANALYSIS OF OPERATIONS

For the Years Ended June 30, 2011 and 2010

FUNCTIONS AND PLANNING PROGRAM

Foundation Functions

The Illinois Literacy Foundation was created by State Statute (15 ILCS 322/40) to promote literacy among the residents of the State of Illinois by supporting literacy programs and enhancing Statewide literacy awareness, to make grants and gifts in aid and support of the goal, and to engage generally in other lawful endeavors consistent with the foregoing purposes.

The Secretary of State serves as ex officio director of the Foundation. There shall be not less than six nor more than eleven directors of the Foundation. Following is a list of directors of the Foundation as of June 30, 2011.

Secretary of State Jesse White  
(Ex Officio Director)  
Chicago, IL

Sunny Chico  
Chicago, IL

Deputy Secretary of State  
Thomas Benigno  
(Executive Director)  
Chicago, IL

Richard Dent  
Chicago, IL

Eugene Mroz  
Chicago, IL

Anthony Taylor (President)  
Naperville, IL

Roderick Hawkins  
Niles, IL

Caroline Sanchez Crozier (Vice-President)  
Chicago, IL

Mary Dempsey (Member Emeritus)  
Chicago, IL

Dr. Roberto R. Castaneda (Treasurer/Secretary)  
Chicago, IL

John Rosales (Member Emeritus)  
Niles, IL

George Burciaga  
Chicago, IL

Michael Mroz (Designee)  
Arlington Heights, IL

Nikki M. Zollar  
Chicago, IL

Dr. Jodi N. Martinez  
(Designate, Thomas Benigno)  
Chicago, IL

Joyce O. Calvert  
Du Quoin, IL

Crystal Reynolds  
Niles, IL

## Foundation Functions – Continued

### Planning Program

The Foundation has adopted a Mission Statement and Guiding Principles as follows:

#### MISSION STATEMENT

The mission of The Illinois Literacy Foundation (the Foundation) is to partner with the corporate and private sectors to enhance literacy awareness and support literacy programs throughout the State of Illinois.

Therefore, in collaboration with corporate and private entities, local businesses and state agencies, the Foundation strives to promote enjoyment in reading and learning by addressing the literacy needs of the people of Illinois.

#### GUIDING PRINCIPLES

- \* The Foundation will act as a “Transfer Agent” to supplement, coordinate and reinforce existing literacy activities.
- \* The Foundation efforts should focus on innovative programs that emphasize corporate involvement.
- \* The Foundation efforts should tackle problems in a comprehensive, “systemic” fashion that stresses prevention.
- \* The Foundation will seek sponsorship and support from the private sector for programs within local communities.
- \* The Foundation recognizes there is no single solution to illiteracy and that diverse solutions need to be developed for local implementation.
- \* The Foundation efforts will not duplicate other literacy activities.
- \* The Foundation will work in cooperation and partnership with other literacy agencies.
- \* The Foundation will develop guidelines for awarding grants and contracts as well as a framework for reporting results so that the information can be used to enhance other local programs.

The Foundation office for the two years ended June 30, 2011, was located at the J.R. Thompson Center in Chicago, Illinois.

THE ILLINOIS LITERACY FOUNDATION  
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STATISTICAL HIGHLIGHTS

For the Years Ended June 30, 2011 and 2010

Statistics

	2011	2010
<b>REVENUE</b>		
Direct public support	\$ 44,609	\$ 111,580
Interest	63	202
Total revenue	44,672	111,782
<b>EXPENSES</b>		
Contractual	6,108	2,818
Travel	1,033	264
Printing	1,114	-
Program grants	41,714	107,473
Total expenses	49,969	110,555
<b>CHANGE IN NET ASSETS</b>	(5,297)	1,227
<b>NET ASSETS, BEGINNING</b>	33,090	31,863
<b>NET ASSETS, ENDING</b>	\$ 27,793	\$ 33,090

**Illinois Literacy Campaign**

Number of Borders Books and Music, Borders Outlets, and Waldenbooks stores participating statewide:	32	44
Number of recipients of campaign contribution	31	36
Contributions and distributions for campaign	44,210	108,990
Average contributions per store	1,382	2,477
Average contributions per recipient	1,426	3,028

Ex Officio Director

Honorable Jesse White, Secretary of State