

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For the Year Ended June 30, 2014

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

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For The Year Ended June 30, 2014

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For The Year Ended June 30, 2014

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FOUNDATION OFFICIALS

ILLINOIS CONSERVATION FOUNDATION

Board of Directors:

Miller, Marc – Appointment designated by statute – Chairman

Ducey, Barbara – Appointed by Senator Jones – Secretary

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

Cullerton, Bill Jr. – Appointed by Representative Madigan

Keck, Fred – Appointed by Senator Phillip

Kidd, John Jr. – Appointed by Senator Jones

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

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

Bettin, Cameron – Appointed by Representative Cross

Johnson, Barbara Ann – Appointed by Governor Quinn

Katlin, Andy – Appointed by Governor Quinn

Ruffolo, Mike – Appointed by Representative Madigan

Beaubien, Mark – Appointed by Governor Quinn

Anderson, Ryan – Appointed by Governor Quinn

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

Committees were as follows:

Executive Committee

Miller, Marc – Chairman of the Board

Ducey, Barbara

Russell, Robert Dr.

Cullerton, Bill Jr.

Finance Committee

Russell, Robert Dr. – Co-Chairman

Johnson, Barbara Ann – Co-Chairman

Katlin, Andy

FOUNDATION OFFICIALS

ILLINOIS CONSERVATION FOUNDATION

Special Events Committee

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

Strategic Planning & Torstenson Committee

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

Conservation Scholarship Committee

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

Address:

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

Operating Office

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

Foundation Executive Director:

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

Chief Financial Officer:

Scheller, Truman (July 1, 2013 – March 19, 2014)
Siciliano, Jennifer (March 20, 2014 – Present)



MANAGEMENT ASSERTION LETTER

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

January 14, 2015

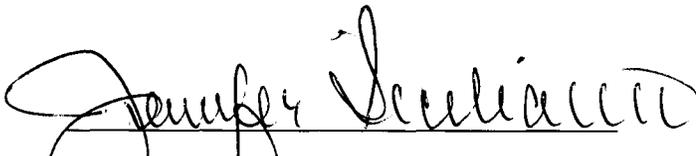
Ladies and Gentlemen:

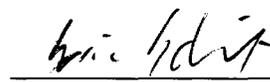
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Foundation. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Foundation's compliance with the following assertions during the year ended June 30, 2014. Based on this evaluation, we assert that during the year ended June 30, 2014 the Foundation has materially complied with the assertions below.

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

Yours very truly,

ILLINOIS CONSERVATION FOUNDATION


Jennifer Siciliano, Chief Financial Officer


Eric Schmidt, Executive Director

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT'S REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	5	5
Repeated findings	3	3
Prior recommendations implemented or not repeated	2	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)

2014-001	11	Financial Statement Preparation	Material Weakness and Noncompliance
2014-002	13	Segregation of Duties	Significant Deficiency and Noncompliance
2014-003	14	Inadequate Internal Control Procedures	Material Weakness and Noncompliance

FINDINGS (STATE COMPLIANCE)

2014-004	16	Failure to Sufficiently Collateralize Deposits	Significant Deficiency and Noncompliance
2014-005	17	Inadequate Controls Over Vacation Pay	Significant Deficiency and Noncompliance

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

2014-001	11	Financial Statement Preparation	Material Weakness and Noncompliance
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COMPLIANCE REPORT

SCHEDULE OF FINDINGS (CONTINUED)

FINDINGS (STATE COMPLIANCE) (CONTINUED)

2014-002	13	Segregation of Duties	Significant Deficiency and Noncompliance
2014-003	14	Inadequate Internal Control Procedures	Material Weakness and Noncompliance

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	18	Noncompliance with Accountability for the Investment of Public Funds Act
B	18	Inadequate Controls Over Personal Services

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on January 14, 2015.

Attending were:

Eric Schmidt, Executive Director
Jennifer Siciliano, Chief Financial Officer
Donna Ferguson, Administrative Assistant

Adam Ausmus, Audit Manager, Office of the Auditor General

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

The responses to the recommendations were provided by Jennifer Siciliano, Chief Financial Officer, in a letter dated January 14, 2015.

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

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Illinois Conservation Foundation
Springfield, Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois Conservation Foundation's (A Component Unit of the State of Illinois) (Foundation) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2014. The management of the Foundation is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Foundation's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2014. 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 2014-001, 2014-002, 2014-003, 2014-004, and 2014-005.

Internal Control

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2014-001 and 2014-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2014-002, 2014-004, and 2014-005 to be significant deficiencies.

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

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

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

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

Certified Public Accountants and Consultants

Mattoon, Illinois
January 14, 2015



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

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Illinois Conservation Foundation
Springfield, Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Illinois Conservation Foundation (Foundation), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2014-001 and 2014-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2014-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2014-001, 2014-002, and 2014-003.

Foundation's Responses to Findings

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

Purpose of this Report

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



Certified Public Accountants and Consultants

Mattoon, Illinois
January 14, 2015

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2014-001. Finding (Financial Statement Preparation)

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.

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).

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 recorded brokerage fees for certain investment accounts as unrealized losses in error. Because both the expenses and unrealized losses are recognized in the current year, this would not affect total earnings, only the classification of those earnings. A net audit adjustment of \$16,616 was recorded to correct the balances in the expense and unrealized loss accounts.
- The Foundation recorded a payment of credit card receipts to another governmental entity as an expense, rather than offsetting the original revenue recorded. A net audit adjustment of \$32,262 was recorded to reduce both the appropriate revenue and expense accounts, as the Foundation simply acted as a pass-through for the credit card funds.
- The Foundation did not properly account for \$10,000 of federal revenues and expenses. An audit adjustment was recorded to increase both the federal revenue and expense accounts for the omitted activity.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2014-001. Finding (Financial Statement Preparation) (Concluded)

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

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

Failure to implement appropriate internal controls and provide accurate financial information could lead to misstatements of the Foundation's financial statements. (Finding Code No. 2014-001, 2013-001, 12-1, 11-1)

Recommendation

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

Foundation Response

The Foundation agrees.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2014-002. Finding (Segregation of Duties)

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

Good internal controls 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. 2014-002, 2013-002, 12-2, 11-4, 10-5, 09-5)

Recommendation

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

Foundation Response

The Foundation agrees.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2014-003. Finding (Inadequate Internal Control Procedures)

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

- In our testing of adjusting journal entries, we noted the Foundation's adjusting journal entries did not have evidence of review and approval by an individual independent of the preparer. The Chief Financial Officer prepares the adjusting journal entries, but there is no independent review of these adjustments.
- In our review of monthly bank reconciliations for three bank accounts, we noted 3 of 36 (8%) bank reconciliations were not completed in a timely manner. Since the bank reconciliations do not include the date in which they were completed, we were not able to determine how late the bank reconciliations were completed. We also noted that 36 of 36 (100%) bank reconciliations did not have evidence of review and approval by an individual independent of the preparer. The Chief Financial Officer prepares the monthly bank reconciliations and passes the reconciliations on to the Treasurer of the Board of Directors. However, there was nothing on the reconciliations indicating the Treasurer had reviewed or approved the reconciliations.
- In our review of the receipts process, we noted credit card receipts and cash receipts postings recorded into the general ledger did not have evidence of review and approval by an individual independent of the preparer. The Chief Financial Officer records the credit card receipts and cash receipts, compiled by the Administrative Assistant, into the account software. However, there was nothing on the posting indicating an independent review of the posting.
- In our review of payroll disbursements, we noted payroll and payroll related expense activity recorded into the general ledger, as well as hourly timesheets, did not have evidence of review and approval by an individual independent of the recording. The Chief Financial Officer records the payroll activity, received from their payroll service provider, into the accounting software. The Chief Financial Officer also forwards his/her own timesheet to the Foundation's payroll service provider. However, there is no indication on the payroll reports or hourly timesheets that an individual independent of the recording function reviewed and approved the posting.
- During testing, we noted 1 of 117 (1%) paid invoices tested was a duplicate payment made in the amount of \$2,850 that was not detected by the Foundation.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2014-003. Finding (Inadequate Internal Control Procedures) (Concluded)

- During testing, we noted the Foundation did not obtain dual signatures on 3 of 22 (14%) expenditures tested greater than \$5,000.

Good internal controls require that independent reviews and approvals be documented. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that assets and resources are safeguarded against waste, loss, unauthorized use or misappropriation. Further, good business practices would dictate the Foundation: 1) perform bank reconciliations on a timely basis and 2) establish a system of controls designed to reduce the risk of duplicate payments.

Policies and procedures adopted by the Foundation dictate that disbursements greater than \$5,000 should be approved by the Executive Director, the Treasurer, and/or Chairman of the Board.

Foundation personnel stated that sufficient internal control procedures had not been established or implemented for certain areas of the Foundation's operations because of Foundation personnel vacancies during the year and a lack of oversight.

Failure to establish and maintain sufficient internal controls over the financial process of the Foundation could result in errors or misappropriations of assets which could be material to the financial statements and may not be detected in a timely manner by employees or management in the normal course of performing their assigned duties. (Finding Code No. 2014-003, 2013-003)

Recommendation

We recommend the Foundation document reviews of journal entries, bank reconciliations, credit card receipts and cash receipts postings, and payroll reports and hourly timesheets on the face of the document with the reviewer's initials and date of review. Also, the Foundation should implement procedures to ensure duplicate payments are not made and to ensure that bank reconciliations are completed in a timely manner and that all disbursements greater than \$5,000 include two required signatures. The Foundation should also request the duplicate payment made be refunded.

Foundation Response

The Foundation agrees.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE

2014-004. Finding (Failure to Sufficiently Collateralize Deposits)

The Illinois Conservation Foundation (Foundation) did not obtain sufficient collateral for its deposits at one of the financial institutions utilized by the Foundation. At June 30, 2014, the Foundation's deposits exceeded the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC) by \$46,671 at that financial institution.

Good internal controls require that a proper internal control structure be established to help safeguard assets. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Foundation personnel stated that a misinterpretation of FDIC guidelines related to maximum deposit thresholds resulted in uninsured funds.

Failure to secure full collateral on cash and investment balances may result in monetary losses to the Foundation in the event the financial institution fails. (Finding Code No. 2014-004)

Recommendation

We recommend the Foundation obtain pledged collateral for all its deposits exceeding FDIC insurance coverage from the financial institutions utilized by the Foundation.

Foundation Response

The Foundation agrees.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE

2014-005. Finding (Inadequate Controls Over Vacation Pay)

The Illinois Conservation Foundation (Foundation) processed employee benefit payments as a general disbursement, rather than processing the payment through payroll.

In our testing, we noted the Foundation processed an employee's accrued vacation payout as a general disbursement. The gross payout of \$3,792 should have been processed through payroll to make certain that applicable payroll taxes were paid and the payment would be included on the employee's W-2.

The Illinois Wage Payment and Collection Act (820 ILCS 115/2) states that for all employees, other than separated employees, "wages" shall be defined as any compensation owed an employee by an employer pursuant to an employment contract or agreement between the two parties, whether the amount is determined on a time, task, piece, or any other basis of calculation.

Foundation personnel stated they are aware that payments relating to personal services should be processed to include all applicable withholdings; however, this instance was due to a lack of communication amongst Foundation personnel.

Failure to process employee vacation pay through payroll could subject the Foundation to unpaid payroll taxes and penalties. Calculated payroll taxes on the vacation payout could be approximately \$906. Possible penalties for late payment were not estimated. (Finding Code No. 2014-005)

Recommendation

We recommend the Foundation develop procedures to ensure that all payroll related benefit payments are processed through payroll to ensure payment of all applicable payroll taxes. The Foundation should also include the gross payout as wages on the employee's W-2.

Foundation Response

The Foundation agrees.

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

SCHEDULE OF FINDINGS
PRIOR FINDINGS NOT REPEATED – STATE COMPLIANCE

A. Finding (Noncompliance with Accountability for the Investment of Public Funds Act (Act))

During the prior audit, the Illinois Conservation Foundation (Foundation) was not in compliance with the Act. The Foundation did not present information on the Internet concerning their investment of public funds as required by the Act.

During the current audit, our testing indicated the Foundation presented information concerning their investment of public funds on the Internet.

(Finding Code No. 2013-004, 12-3, 11-2, 10-2, 09-2, 08-2)

B. Finding (Inadequate Controls Over Personal Services)

During the prior audit, the Illinois Conservation Foundation (Foundation) did not maintain adequate controls over personal services. One Foundation employee did not complete his required annual ethics trainings and the Foundation did not complete and submit an Agency Workforce Report to the Governor's Office and Secretary of State.

During the current audit, our testing indicated all Foundation personnel completed the required annual ethics training and the Foundation completed and submitted an Agency Workforce Report.

(Finding Code No. 2013-005)

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Agency's internal control over financial reporting that they considered to be material weaknesses and significant deficiencies. The material weaknesses are described in the accompanying Schedule of Findings on pages 11-12 and 14-15 of this report as items 2014-001 (Financial Statement Preparation) and 2014-003 (Inadequate Internal Control Procedures). The significant deficiency is described in the accompanying Schedule of Findings on page 13 of this report as item 2014-002 (Segregation of Duties).



INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Illinois Conservation Foundation
Springfield, Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities and each major fund of the Illinois Conservation Foundation (A Component Unit of the State of Illinois) (Foundation), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit for the year ended June 30, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The accompanying supplementary information in the State Compliance Schedules 1 through 6 and the Analysis of Operations Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information for the year ended June 30, 2014, in the State Compliance Schedules 1 through 6 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2014, in the State Compliance Schedules 1 through 6 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Foundation's basic financial statements as of and for the year ended June 30, 2013, and have issued our report thereon dated March 19, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities and each major fund. The accompanying supplementary information for the year ended June 30, 2013 in Schedules 2 through 6 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2013 financial statements. The accompanying supplementary information for the year ended June 30, 2013 in Schedules 2 through 6 has been subjected to the auditing procedures applied in the audit of the June 30, 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2013 in Schedules 2 through 6 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Mattoon, Illinois
January 14, 2015

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, 2014. The Foundation is a not-for-profit corporation created to provide additional funding for the Illinois Department of Natural Resources' (IDNR) conservation programs that either are not receiving adequate funding or else cannot be implemented because State funding is not available. The specific purposes of the corporation are to solicit and generate private funding and donations that assist in enhancing and preserving Illinois' natural habitats, historic sites, river and stream corridors, state parks, forests and fish and wildlife areas. The Foundation also accepts grants for acquisition, construction and development of IDNR properties, and supports recreational programs of the IDNR.

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

Financial Highlights

Within the Special Revenue Fund, revenues decreased by \$204,256 from \$1,486,890 in fiscal year 2013 to \$1,282,634 in fiscal year 2014. Expenditures decreased by \$267,735 from \$1,422,227 in fiscal year 2013 to \$1,154,492 in fiscal year 2014. The decrease in revenues is due to a significant decrease in private donations and contributions and on-behalf payments, offset by a slight increase in grants and government receipts. Expenses decreased because of fewer administrative expenditures and on-behalf payments.

Within the Permanent Fund, revenues increased by \$4,102 from \$22,700 in fiscal year 2013 to \$26,802 in fiscal year 2014. Expenditures increased by \$501 from \$500 in fiscal year 2013 to \$1,001 in fiscal year 2014. The increase in revenue is from more investment earnings in fiscal year 2014 due to improved market conditions.

The net position of the Foundation totaled \$7,759,279 at fiscal year ended June 30, 2014, compared to \$7,608,168 at fiscal year ended June 30, 2013, resulting in an increase in net position of \$151,111.

Overview of the Financial Statements

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

Overview of the Financial Statements (Continued)

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

Condensed Comparative Summary of Net Position as of June 30

	<u>2014</u>	<u>2013</u>	<u>2014/2013 Change</u>
Cash and Cash Equivalents	\$ 422,289	\$ 418,017	\$ 4,272
Accounts Receivable	27,944	21,107	6,837
Accrued Investment Income	10,828	8,124	2,704
Prepaid Expenses	27,354	12,381	14,973
Investments	2,789,487	2,646,424	143,063
Capital Assets	<u>4,550,432</u>	<u>4,568,237</u>	<u>(17,805)</u>
Total Assets	\$7,828,334	\$7,674,290	\$ 154,044
Liabilities	<u>69,055</u>	<u>66,122</u>	<u>2,933</u>
Total Net Position	<u>\$7,759,279</u>	<u>\$7,608,168</u>	<u>\$ 151,111</u>

The Statement of Activities presents information regarding changes during the fiscal year ended June 30, 2014. 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>2014</u>	<u>2013</u>	<u>2014/2013 Change</u>
Additions:			
Governmental Activities	\$ 927,648	\$ 1,328,037	\$ (400,389)
General	<u>381,788</u>	<u>181,053</u>	<u>200,735</u>
Total	<u>\$ 1,309,436</u>	<u>\$ 1,509,090</u>	<u>\$ (199,654)</u>
Deduction:			
Governmental Activities	<u>\$ 1,158,325</u>	<u>\$ 1,276,438</u>	<u>\$ (118,113)</u>
Total	<u>\$ 1,158,325</u>	<u>\$ 1,276,438</u>	<u>\$ (118,113)</u>
Change in net position	<u>\$ 151,111</u>	<u>\$ 232,652</u>	<u>\$ (81,541)</u>

Overall, there is an increase in net position as reflected on the Statement of Activities of \$151,111 at June 30, 2014, compared to an increase of \$232,652 at June 30, 2013.

Capital Assets

Capital assets of the Foundation include land, buildings, and equipment, which are used in the operation and maintenance of the Torstenson Farm Property. The Foundation maintains an inventory of capital assets which have been accumulated over time. Governmental activities net capital assets for the fiscal years ended June 30, 2014 and June 30, 2013 were \$4,550,432 and \$4,568,237, respectively. Excess current year depreciation expense over current year capital asset additions have caused the net book value of capital assets to decrease for the fiscal year ended June 30, 2014.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 422,289
Accounts receivable	27,944
Accrued investment income	10,828
Prepaid expense	27,354
Total current assets	<u>488,415</u>
Noncurrent Assets:	
Investments	2,789,487
Capital assets, net	<u>4,550,432</u>
TOTAL ASSETS	<u>7,828,334</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	65,090
Accrued expenses	3,965
TOTAL LIABILITIES	<u>69,055</u>
NET POSITION:	
Restricted for:	
Natural resources and recreation	1,297,500
Endowment – nonexpendable	70,219
Education	81,382
Unrestricted	1,759,746
Investment in capital assets	4,550,432
TOTAL NET POSITION	<u>\$ 7,759,279</u>

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, 2014

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUE</u>		<u>NET (EXPENSE) REVENUE</u>
		<u>CHARGES FOR GOODS</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
Environment and Business				
Regulation:				
General administrative	\$ 330,458	\$ -	\$ 150,808	\$ (179,650)
Natural resources and recreation	827,867	29,249	747,591	(51,027)
 Total Governmental Activities	 <u>\$ 1,158,325</u>	 <u>\$ 29,249</u>	 <u>\$ 898,399</u>	 <u>(230,677)</u>

General Revenue:

Restricted investment earnings	14,302
Restricted investment – unrealized gain	12,500
Unrestricted realized gain	282,994
Unrestricted investment – unrealized gain	11,471
Unrestricted investment earnings	<u>60,521</u>

Change in Net Position 151,111

Net position – Beginning	7,608,168
Net position – Ending	<u>\$ 7,759,279</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
JUNE 30, 2014

	<u>SPECIAL REVENUE FUND</u>	<u>PERMANENT FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$ 422,289	\$ -	\$ 422,289
Accounts receivable	27,944	-	27,944
Accrued investment income	10,828	-	10,828
Investments	2,637,886	151,601	2,789,487
Total Assets	<u>\$ 3,098,947</u>	<u>\$ 151,601</u>	<u>\$ 3,250,548</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 65,090	\$ -	\$ 65,090
Accrued expenses	3,965	-	3,965
Total Liabilities	<u>69,055</u>	<u>-</u>	<u>69,055</u>
Fund Balances:			
Nonspendable	-	70,219	70,219
Restricted:			
Natural resources and recreation	1,297,500	-	1,297,500
Education	-	81,382	81,382
Unassigned	1,732,392	-	1,732,392
Total Fund Balances	<u>3,029,892</u>	<u>151,601</u>	<u>3,181,493</u>
Total Liabilities and Fund Balances	<u>\$ 3,098,947</u>	<u>\$ 151,601</u>	<u>\$ 3,250,548</u>

The accompanying notes are an integral part of these statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances - governmental funds	\$ 3,181,493
Amounts reported for governmental activities in the statement of net position are different because:	
Prepaid assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,354
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,550,432
Net position of governmental activities	<u>\$ 7,759,279</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, 2014

	SPECIAL REVENUE FUND	PERMANENT FUND	TOTAL
Revenues			
Donations – restricted	\$ 701,115	\$ -	\$ 701,115
Grants and receipts from governments	46,476	-	46,476
Investment income – restricted	-	14,302	14,302
Investment income – restricted unrealized gain	-	12,500	12,500
Investment income – unrestricted	60,521	-	60,521
Investment income – unrestricted unrealized gain	11,471	-	11,471
Investment income – unrestricted realized gain	282,994	-	282,994
Donations – unrestricted	20,323	-	20,323
Merchandise sales – restricted	29,249	-	29,249
On-behalf payments	130,485	-	130,485
Total Revenues	<u>1,282,634</u>	<u>26,802</u>	<u>1,309,436</u>
Expenditures			
Administrative	198,972	1,001	199,973
Natural resources and recreation	825,035	-	825,035
On-behalf payments	130,485	-	130,485
Total Expenditures	<u>1,154,492</u>	<u>1,001</u>	<u>1,155,493</u>
Net Change in Fund Balances	128,142	25,801	153,943
Fund Balance – Beginning	<u>2,901,750</u>	<u>125,800</u>	<u>3,027,550</u>
Fund Balance – Ending	<u>\$ 3,029,892</u>	<u>\$ 151,601</u>	<u>\$ 3,181,493</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, 2014

Net change in fund balances - total governmental funds	\$	153,943
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Changes in prepaid expense:</p>		
<p>Prepaid expense uses current financial resources and is recorded as an expense in the governmental funds.</p>		14,973
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
<p>Capital assets purchases capitalized</p>		57,831
<p>Depreciation expense</p>		(75,636)
		151,111
Change in net position of governmental activities	\$	151,111

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, 2014

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 2014, the Foundation implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement No. 66, *Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62*; GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*; and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The Foundation implemented these standards during the current year; however, GASB Statement No. 70 had no impact on the financial statements. The implementation of GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB Statement No. 66 resolved conflicting guidance that resulted from the issuance of GASB Statement Nos. 54 and 62 regarding risk financing activities, operating leases, purchased loans, and servicing fees. The implementation of GASB Statement No. 67 improved financial reporting by state and local governmental pension plans.

B. Date of Management's Review

Management has evaluated subsequent events through January 14, 2015, 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, 2014

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 accompanying financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). In fiscal year 2013, the Illinois State Comptroller's Office deemed the Foundation immaterial to the operations of the State and does not report it in the State's Comprehensive Annual Financial Report (CAFR). For its reporting purposes, the Foundation has separate fund and government-wide financial statements and reconciles individual line items of fund financial data to government-wide data. A brief description of the Foundation's government-wide and fund financial statements is as follows:

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

The statement of activities demonstrates the degree to which the direct expenses of a given function 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, 2014

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 of fund financial statements is on major governmental funds, 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, 2014

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, including the State Treasury.

G. Inventories

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

H. Investments

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

I. Capital Assets

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

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

J. Construction in Progress

The Foundation maintains assets that are construction in progress. This includes costs incurred during the construction of assets. Those accumulated costs are held in the Construction in Progress category until such time as the project is determined to be “substantially complete” (i.e. ready for its intended use). At that time, the asset is moved to the proper asset category and depreciated based on conventions noted above. The only item in the Construction in Progress category at June 30, 2014 was the Pond Liner Installation Project.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Contributions

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

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

Noncash contributions are recorded at estimated fair value when received.

L. Governmental Fund Balances

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Governmental Fund Balances (Concluded)

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.

M. Net Position

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

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

Unrestricted net position – This consists of net position that does not meet the definition of "restricted" or "invested in capital assets."

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

N. Use of Estimates

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

O. Compensated Absences

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

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

P. Deferred Inflows and Outflows of Resources

GASB Statement No. 65 reclassified as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities. Decreases in net assets that relate to future periods are reported as deferred outflows of resources. Increases in net assets that relate to future periods are reported as deferred inflows of resources. When an asset is recorded in the governmental fund financial statements but the revenue is not available, the Foundation reports a deferred inflow of resources until such time as the revenue becomes available. *Available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are not available if they are received more than 60 days after the end of the fiscal year. The Foundation had no deferred inflows or outflows of resources in the current year.

NOTE 2: DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents consist of checking and money market accounts at June 30, 2014.

The Foundation's cash and cash equivalents had a bank balance of \$402,850 and a carrying balance of \$422,289 at June 30, 2014. Of the total bank balances, \$356,179 was secured by Federal Depository Insurance Corporation coverage and \$46,671 was uninsured and uncollateralized.

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).

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Investment Summary Schedule

As of June 30, 2014 the Foundation had the following investments and maturities.

Investment Type	Fair Value	Less than 1 Year	1 - 5 Years	6 - 10 Years	More than 10 Years
U.S. Agency Obligations	\$ 9,343	\$ 9,343	\$ -	\$ -	\$ -
Corporate Debt Securities	676,122	141,973	274,350	259,799	-
Total Debt Securities	685,465	<u>\$ 151,316</u>	<u>\$ 274,350</u>	<u>\$ 259,799</u>	<u>\$ -</u>
Certificates of Deposit	255,113				
Corporate Equity Securities	1,583,017				
Mutual Funds	220,008				
Commodities	45,884				
Total Investments	<u>\$2,789,487</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, 2014, the Foundation's WAM was as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Agency Obligations	\$ 9,343	0.80
Corporate Debt Securities	676,122	3.90
Certificates of Deposit	255,113	5.40
Corporate Equity Securities	1,583,017	0.00
Mutual Funds	220,008	0.00
Commodities	45,884	0.00
	<u>\$ 2,789,487</u>	<u>4.28</u>

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2: DEPOSITS AND INVESTMENTS (CONCLUDED)

B. Investments (Concluded)

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, 2014.

Investment Type	Moody's Quality Rating	Fair Value
Corporate Obligations	A-	\$ 262,211
	A+	41,033
	AA	129,956
	AA+	136,679
	A	106,243
Total Corporate Obligations		<u>676,122</u>
U.S. Agency Obligations	AAA	<u>9,343</u>
Total Debt Securites		<u><u>\$ 685,465</u></u>

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 reported as restricted for Natural Resources and Recreation or Educational 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 reported as Endowment – Nonexpendable. That portion of the fund balance that is the result of unspent earnings from endowment investments is restricted for education.

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014 is as follows:

Salaries	\$ 71,190
Benefits	<u>59,295</u>
Total	<u>\$ 130,485</u>

The total of \$130,485 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.

The Foundation also purchased an off-road vehicle previously owned by an employee of the Foundation. The Foundation purchased the vehicle for \$6,000 from the property manager in June 2014.

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 and 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.

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6: COMMITMENTS (CONCLUDED)

Over the past 12 years, the Foundation has been awarded ten grants from the Forest Service of the U.S. Department of Agriculture and twelve 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 \$7,372,424. In fiscal year 2014, the Foundation paid a total of \$46,476 to Chicago Wilderness Members. Over the past 12 years, the Foundation has received \$7,063,344 for the Chicago Wilderness partners. The Foundation has negotiated a 5%-10% indirect costs rate agreement with the federal funding agencies to cover administrative and other costs of the project. Six of the grants from the U.S. Department of Agriculture and ten of the grants from the Department of the Interior have been closed.

NOTE 7: ACCOUNTS RECEIVABLE

At June 30, 2014, the Foundation had accounts receivable of \$27,944. This amount consists of miscellaneous receipts. The Foundation considers all the accounts receivable to be fully collectible.

NOTE 8: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 2,968,000	\$ -	\$ -	\$ 2,968,000
Construction-in-progress	-	33,675	-	33,675
Total capital assets not being depreciated	2,968,000	33,675	-	3,001,675
Capital assets being depreciated:				
Buildings	1,673,725	11,350	-	1,685,075
Equipment	123,286	12,806	-	136,092
Total capital assets being depreciated	1,797,011	24,156	-	1,821,167
Less accumulated depreciation:				
Buildings	(131,687)	(52,875)	-	(184,562)
Equipment	(65,087)	(22,761)	-	(87,848)
Total accumulated depreciation	(196,774)	(75,636)	-	(272,410)
Governmental Activities - Capital Assets, Net	<u>\$ 4,568,237</u>	<u>\$ (17,805)</u>	<u>\$ -</u>	<u>\$ 4,550,432</u>

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8: CAPITAL ASSETS (CONCLUDED)

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, 2014 of \$75,636 was charged to the governmental activities on the government-wide Statement of Activities.

Certain land, buildings, and equipment with a carrying value of \$4,267,970 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 9: 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 six years.

NOTE 10: 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.

ILLINOIS CONSERVATION FOUNDATION
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SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

Fiscal Schedules and Analysis:

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

Analysis of Operations (Unaudited):

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

The independent auditor's report that covers the State Compliance Schedules 1 through 6 presented in the Financial Statement Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated, in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The independent auditor's report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, the auditors do not express an opinion or provide any assurance on it.

ILLINOIS CONSERVATION FOUNDATION
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Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) -
Locally-Held Funds
For the Year Ended June 30, 2014

	2014
Cash and cash equivalents, beginning	\$ 418,017
Receipts:	
Donations	710,120
Grants and receipts from other governments	50,957
Merchandise sales	29,249
Net investment income	226,914
Disbursements:	
General administrative	(187,933)
Programs	(825,035)
Cash and cash equivalents, ending	\$ 422,289

ILLINOIS CONSERVATION FOUNDATION
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Schedule of Changes in Property
For the Years Ended June 30, 2014 and 2013

	<u>Building and Improvements</u>	<u>Equipment</u>	<u>Land</u>	<u>Construction- in-Progress</u>	<u>Total</u>
Balance at June 30, 2013	\$ 1,673,725	\$ 123,286	\$ 2,968,000	\$ -	\$ 4,765,011
Additions	11,350	12,806	-	33,675	57,831
Retirements and disposals	-	-	-	-	-
Balance at June 30, 2014	<u>\$ 1,685,075</u>	<u>\$ 136,092</u>	<u>\$ 2,968,000</u>	<u>\$ 33,675</u>	<u>\$ 4,822,842</u>

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Significant Variations in Expenditures
For the Years Ended June 30, 2014 and 2013

Program	2014	2013	Increase (Decrease)	%
(1) Hall of Fame Dinner	\$ 500	\$ 67,030	\$ (66,530)	-99.3%
(2) Hall of Fame Dinner - Peoria	1,100	22,754	(21,654)	-95.2%
(3) Torstenson Property	209,155	438,043	(228,888)	-52.3%
(4) Blackhawk Statue Restoration Project	40,136	-	40,136	100.0%
(5) Forestry: Tree Planting	384	13,199	(12,815)	-97.1%
(6) Sportsman Raffle	14,085	41,296	(27,211)	-65.9%
(7) Torstenson Property Pond/Range	33,675	-	33,675	100.0%
(8) Torstenson Property Mobile Trailer	16,600	-	16,600	100.0%
(9) General and Administrative Expenses	199,973	279,112	(79,139)	-28.4%
(10) Federal Funds	43,609	10,815	32,794	303.2%
(11) ENTICE Program	75,368	52,581	22,787	43.3%
(12) Illinois and Michigan Trail Projects	-	73,579	(73,579)	-100.0%
(13) Chad Morgenthaler Bass Tournament	-	17,024	(17,024)	-100.0%
(14) Special Events - Celebrity Quail Hunt	5,461	24,089	(18,628)	-77.3%
(15) FOID Cards	4,517	16,205	(11,688)	-72.1%

- (1) Hall of Fame Dinner decreased \$66,530 or 99.3% in fiscal year 2014. The Foundation decided not to host the Hall of Fame dinner due to the Executive Director vacancy at the time of the event.
- (2) Hall of Fame Dinner - Peoria decreased \$21,654 or 95.2% in fiscal year 2014. The Foundation decided not to host the Hall of Fame dinner due to the Executive Director vacancy at the time of the event.
- (3) Torstenson Property decreased \$228,888 or 52.3% in fiscal year 2014. The Foundation completed the construction of the Education Center at the Torstenson Farm Property in fiscal year 2013. Fiscal year 2014 expenditures included maintenance expenditures and expenditures related to smaller projects.

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Significant Variations in Expenditures (Continued)
For the Years Ended June 30, 2014 and 2013

- (4) Blackhawk Statue Restoration Project increased \$40,136 or 100.0% in fiscal year 2014. The Foundation began work on the Blackhawk Statue in fiscal year 2014 after collecting funds in prior fiscal years.
- (5) Forestry: Tree Planting decreased \$12,815 or 97.1% in fiscal year 2014. The Foundation received a donation in a prior fiscal year to plant trees. The Foundation is nearing the end of the program's resources and is slowly drawing down the funds each year.
- (6) Sportsman Raffle decreased \$27,211 or 65.9% in fiscal year 2014. Due to the Executive Director position vacancy for a majority of the year, less advertising was done in fiscal year 2014 compared to prior fiscal years, resulting in fewer tickets being sold in the current year.
- (7) Torstenson Property Pond/Range increased \$33,675 or 100.0% in fiscal year 2014. The Foundation began work on a pond and shooting range project at the Torstenson Property in fiscal year 2014.
- (8) Torstenson Property Mobile Trailer increased \$16,600 or 100.0% in fiscal year 2014. The Foundation purchased a mobile trailer in fiscal year 2014 to use for Torstenson Property educational projects and services.
- (9) General and Administrative Expenses decreased \$79,139 or 28.4% in fiscal year 2014. Due to the Executive Director position vacancy for a majority of the current year, the Foundation had fewer payroll expenses in fiscal year 2014.
- (10) Federal Funds increased \$32,794 or 303.2% in fiscal year 2014. The Foundation received new federal awards in fiscal year 2014. The increase in expenditures is due to the activity incurred for those new grants.
- (11) ENTICE Program increased \$22,787 or 43.3% in fiscal year 2014. 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 2014 concerning this program.
- (12) Illinois and Michigan Trail Projects decreased \$73,579 or 100.0% in fiscal year 2014. The decrease in program expenditures is due to no expenditures incurred for this project in fiscal year 2014.
- (13) Chad Morgenthaler Bass Tournament decreased \$17,024 or 100.0% in fiscal year 2014. The decrease in program expenditures was due to no tournament being offered in fiscal year 2014.

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Significant Variations in Expenditures (Concluded)
For the Years Ended June 30, 2014 and 2013

- (14) Special Events – Celebrity Quail Hunt decreased \$18,628 or 77.3% in fiscal year 2014. The decrease in program expenditures is due to fewer participants than in fiscal year 2013, resulting in less expenditures for the fiscal year 2014 event.
- (15) FOID Cards decreased \$11,688 or 72.1% in fiscal year 2014. The decrease in program expenditures is due to less administrative expenditures incurred during the sale of FOID cards.

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Significant Variations in Receipts
For the Years Ended June 30, 2014 and 2013

Program	2014	2013	Increase (Decrease)	%
(1) Grants and Receipts from Governments	\$ 46,476	\$ 10,073	\$ 36,403	361.4%
(2) Donations - Restricted	701,115	901,442	(200,327)	-22.2%
(3) Investment Income - Unrestricted Unrealized Gain (Loss)	11,471	60,219	(48,748)	-81.0%
(4) Investment Income - Unrestricted Realized Gain (Loss)	282,994	42,613	240,381	564.1%
(5) Investment Income - Restricted	26,802	8,600	18,202	211.7%
(6) Investment Income - Unrestricted	60,521	92,321	(31,800)	-34.4%
(7) Donations - Unrestricted	20,323	222,645	(202,322)	-90.9%
(8) Merchandise Sales - Restricted	29,249	13,650	15,599	114.3%

- (1) Grants and Receipts from Governments increased \$36,403 or 361.4% in fiscal year 2014. The increase was due to the Foundation receiving new federal awards in the current year.
- (2) Donations - Restricted decreased \$200,327 or 22.2% in fiscal year 2014. The decrease was due to fewer funds received for the Education Center at the Torstenson Property because of its completion in fiscal year 2013.
- (3) Investment Income - Unrestricted Unrealized Gain (Loss) decreased \$48,748 or 81.0% in fiscal year 2014. The decrease was due to fluctuations in timing of realized gains and losses.
- (4) Investment Income - Unrestricted Realized Gain (Loss) increased \$240,381 or 564.1% in fiscal year 2014. The increase was due to fluctuations in timing of realized gains and losses.
- (5) Investment Income - Restricted increased \$18,202 or 211.7% in fiscal year 2014. This increase was the result of additional restricted investment purchases during the current fiscal year.
- (6) Investment Income - Unrestricted decreased \$31,800 or 34.4% in fiscal year 2014. The decrease was due to a decrease in the rate of dividends paid on Foundation investments.
- (7) Donations - Unrestricted decreased \$202,322 or 90.9% in fiscal year 2014. The decrease was due to fewer fund-raising events in fiscal year because of the Executive Director vacancy.
- (8) Merchandise Sales - Restricted increased \$15,599 or 114.3% in fiscal year 2014. The increase was due to the first year of calendar sales in fiscal year 2014.

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Significant Account Balances
For the Years Ended June 30, 2014 and 2013

Account	2014	2013	Increase (Decrease)	%
(1) Accounts Payable	65,090	46,180	18,910	40.9%
(2) Accrued Expenses	3,965	19,942	(15,977)	-80.1%

(1) Accounts Payable increased \$18,910 or 40.9% in fiscal year 2014. The increase was due to work completed for the Blackhawk Restoration project that was payable at year end.

(2) Accrued Expenses decreased \$15,977 or 80.1% in fiscal year 2014. The decrease was due to less accrued payroll taxes payable at year end in fiscal year 2014.

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Accounts Receivable and Accrued Investment Income
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
(1) Accounts Receivable	\$ 27,944	\$ 21,107	\$ 6,837
(2) Accrued Investment Income	10,828	8,124	2,704

(1) Accounts Receivable consists of a) donations and contributions received for various projects and programs made in fiscal year 2014, but not received and deposited until July 2014; b) amounts due for program registration fees for fiscal year 2014 collected in July 2014; c) amounts due for fiscal year 2014 lodge rental collected in July 2014; and d) amounts due for program registration fees for fiscal year 2014 collected in July 2014.

a) Under 60 days old-	\$ 14,560
b) Under 60 days old-	5,134
c) Under 60 days old-	7,500
d) 60 days old to 120 days old-	750
	<u>\$ 27,944</u>

(2) Accrued Investment Income consists of interest earned on cash equivalents for the year ended June 30, 2014, but not remitted until July 2014.

ILLINOIS CONSERVATION FOUNDATION
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Agency Functions and Planning Program
June 30, 2014
(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
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Agency Functions and Planning Program
June 30, 2014
(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
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Average Number of Employees and Foundation Members
(Unaudited Disclosures by Agency Management)

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

<u>Fiscal Year</u>	<u>Employees</u>	<u>Foundation Members</u>
2012	2	11
2013	3	12
2014	3	12

ILLINOIS CONSERVATION FOUNDATION
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Comparative Schedule of Administrative Expenditures
For the Years Ended June 30, 2014 and 2013
(Unaudited Disclosures by Agency Management)

	2014	2013	Increase (Decrease)
Accounting	\$ 36,616	\$ 54,512	\$ (17,896)
Director's Salary	9,787	121,971	(112,184)
General Administrative	153,570	102,629	50,941
Total Administrative Expenditures	\$ 199,973	\$ 279,112	\$ (79,139)
 TOTAL EXPENDITURES	 \$ 1,155,493	 \$ 1,422,727	
 % of Administrative Expenditures to Total Expenditures	 17.31%	 19.62%	

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

Memorandums of Understanding
(Unaudited Disclosures by Agency Management)

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

ILLINOIS DEPARTMENT OF NATURAL RESOURCES

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

ILLINOIS DEPARTMENT OF NATURAL RESOURCES

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

UNITED STATES ARMY CORPS OF ENGINEERS

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

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

Service Efforts and Accomplishments
(Unaudited Disclosures by Agency Management)

- The Foundation administers the Becoming an Outdoor Woman Program. The program educates women about our natural resources, including camping and cooking in the outdoors.
- The Foundation coordinated the fundraising for various youth programs, scholarships, and special events.
- The Foundation issued 82 Illinois Biodiversity Field Trip grants totaling \$121,414.

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

Schedule of Indirect Cost Reimbursements
For the Years Ended June 30, 2014 and 2013
(Unaudited Disclosures by Agency Management)

The indirect cost reimbursements are based on rates negotiated with the U.S. Department of Interior. These indirect cost reimbursements provide funding for allowable program costs that are incurred for a common purpose and are not assignable to specific cost objectives. Indirect cost reimbursements are deposited into the Foundations checking account. The following are reimbursements deposited during fiscal year 2014 and 2013:

Federal Programs/Grants	<u>2014</u>	<u>2013</u>
U.S. Department of Interior		
Fish and Wildlife Enhancement	<u>\$ -</u>	<u>\$ 1,131</u>