

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For the Year Ended June 30, 2017

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, 2017

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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, 2017

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FOUNDATION OFFICIALS

ILLINOIS CONSERVATION FOUNDATION

Board of Directors:

Rosenthal, Wayne – 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 Cullerton

Kidd, John Jr. – Appointed by Senator Jones

Bettin, Cameron – Appointed by Representative Cross

Castro, Maria – Appointed by Governor Quinn (until January 1, 2017)
Vacant on June 30, 2017 – Appointment to be made by Governor Rauner

Katlin, Andy – Appointed by Governor Quinn

Ruffolo, Mike – Appointed by Representative Madigan

Johnson, Barbara Ann – Appointed by Governor Rauner

Anderson, Ryan – Appointed by Governor Quinn

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

Committees were as follows:

Executive Committee

Rosenthal, Wayne – 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

Rosenthal, Wayne – Chairman of the Board
Cullerton, Bill Jr. – Chairman
Kidd, John Jr.
Bettin, Cameron
Anderson, Ryan

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:

Schenck, Eric (March 28, 2017 – present)
Wayne Rosenthal (Acting) (September 3, 2016 – March 27, 2017)
Schmidt, Eric (June 1, 2014 – September 2, 2016)

Chief Financial Officer:

Hovey, Jennifer



MANAGEMENT ASSERTION LETTER

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

December 13, 2017

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, 2017. Based on this evaluation, we assert that during the year ended June 30, 2017 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

SIGNED ORIGINAL ON FILE

Jennifer Hovey Chief Financial Officer

SIGNED ORIGINAL ON FILE

Eric Schenck, 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	1	1
Repeated findings	1	1
Prior recommendations implemented or not repeated	0	1

SCHEDULE OF FINDINGS

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

2017-001	11	Financial Statement Preparation	Material Weakness and Noncompliance
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FINDINGS (STATE COMPLIANCE)

None

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

2017-001	11	Financial Statement Preparation	Material Weakness and Noncompliance
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COMPLIANCE REPORT

SCHEDULE OF FINDINGS (CONTINUED)

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
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None		
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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on January 3, 2018.

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

Honorable Frank J. Mautino
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, 2017. 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, 2017. 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 item 2017-001.

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 deficiency in internal control over compliance described in the accompanying schedule of findings as item 2017-001 to be a material weakness.

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. However, we identified no deficiency in internal control that we consider to be a significant deficiency.

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

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

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.

SIGNED ORIGINAL ON FILE

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
December 13, 2017



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 Frank J. Mautino
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, 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated December 13, 2017.

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 deficiency described in the accompanying schedule of findings as item 2017-001 to be a material weakness.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2017-001.

Foundation's Responses to Findings

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

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.

SIGNED ORIGINAL ON FILE

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
December 13, 2017

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2017-001. Finding (Financial Statement Preparation)

The Illinois Conservation Foundation (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 generally accepted accounting principles (GAAP) based financial statements for management or employees, in the normal course of performing their assigned functions, to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

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

- The Foundation failed to make numerous adjusting entries to present the financial statements in accordance with GAAP.
- The Foundation recorded internal transfers of securities as dividend and interest income and investment fees expense in error. The result of this misstatement was an overstatement of both revenues and expenses by \$42,000. An audit adjustment was recorded to correct the balances in the dividend and interest income and investment fees expense accounts.
- The Foundation failed to identify a capital asset in the amount of \$16,181. The capital asset was omitted from the depreciation schedule provided to auditors resulting in an understatement of both capital assets and current year additions.

The Foundation is required to maintain a system of controls over the preparation of financial statements in accordance with 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).

GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental fund balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and nonmajor funds in the aggregate to be provided in the fund financial statements.

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

SCHEDULE OF FINDINGS
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2017-001. 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 caused the current year financial statements to be misstated. Furthermore, omission of the capital asset was attributed to an oversight by Foundation personnel tasked with preparing the depreciation schedule.

Failure to implement appropriate internal controls and provide accurate financial information resulted in misstatements of the Foundation's financial statements. (Finding Code No. 2016-001, 2015-001, 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
PRIOR FINDINGS NOT REPEATED

NONE

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 a matter involving the Agency's internal control over financial reporting that they considered to be a material weakness. The material weakness is described in the accompanying Schedule of Findings on pages 11-12 of this report as item 2017-001 (Financial Statement Preparation).

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
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, 2017, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the Foundation, as of June 30, 2017, 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 19-20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit for the year ended June 30, 2017 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 2 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, 2017, in the State Compliance Schedules 1 through 2 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, 2017, in the State Compliance Schedules 1 through 2 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, 2016, and have issued our report thereon dated November 15, 2016, 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, 2016 in Schedules 1 through 2 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, 2016 financial statements. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 1 through 2 has been subjected to the auditing procedures applied in the audit of the June 30, 2016 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, 2016 in Schedules 1 through 2 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 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017 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.

SIGNED ORIGINAL ON FILE

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
December 13, 2017

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, 2017. 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.

Financial Highlights

Within the Special Revenue Fund, revenues increased by \$171,906 from \$792,839 in Fiscal Year 2016 to \$964,745 in Fiscal Year 2017. Expenditures decreased by \$574,608 from \$1,603,823 in Fiscal Year 2016 to \$1,029,215 in Fiscal Year 2017. The increase in revenues is primarily due to investment gains in Fiscal Year 2017 as opposed to investment losses in Fiscal Year 2016. Expenditures decreased because of less on-behalf payments and decreased activity in DNR-sponsored programs in Fiscal Year 2017.

Within the Permanent Fund, revenues increased by \$18,806 from (\$1,729) in Fiscal Year 2016 to \$17,077 in Fiscal Year 2017. Expenditures increased by \$1 from \$150 in Fiscal Year 2016 to \$151 in Fiscal Year 2017. The increase in revenue is from fewer investment losses in Fiscal Year 2017.

The net position of the Foundation totaled \$6,804,305 at fiscal year ended June 30, 2017, compared to \$6,911,975 at fiscal year ended June 30, 2016, resulting in a decrease in net position of \$107,670.

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.

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.

Overview of the Financial Statements (Continued)

Condensed Comparative Summary of Net Position as of June 30

	<u>2017</u>	<u>2016</u>	<u>2017/2016</u> <u>Change</u>
Cash and Cash Equivalents	\$ 404,557	\$ 545,125	\$ (140,568)
Accounts Receivable	610	56,100	(55,490)
Other Current Assets	11,519	3,839	7,680
Investments	1,808,878	1,718,410	90,468
Capital Assets	<u>4,635,360</u>	<u>4,695,486</u>	<u>(60,126)</u>
Total Assets	\$6,860,924	\$7,018,960	\$ (158,036)
Liabilities	<u>56,619</u>	<u>106,985</u>	<u>(50,366)</u>
Total Net Position	<u>\$6,804,305</u>	<u>\$6,911,975</u>	<u>\$ (107,670)</u>

The Statement of Activities presents information regarding changes during the fiscal year ended June 30, 2017. 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>2017</u>	<u>2016</u>	<u>2017/2016</u> <u>Change</u>
Additions:			
Governmental Activities	\$ 817,288	\$ 803,032	\$ 14,256
General	<u>164,534</u>	<u>(11,922)</u>	<u>176,456</u>
Total	<u>\$ 981,822</u>	<u>\$ 791,110</u>	<u>\$ 190,712</u>
Deduction:			
Governmental Activities	<u>\$ 1,089,492</u>	<u>\$ 1,537,054</u>	<u>\$ (447,562)</u>
Total	<u>\$ 1,089,492</u>	<u>\$ 1,537,054</u>	<u>\$ (447,562)</u>
Change in net position	<u>\$ (107,670)</u>	<u>\$ (745,944)</u>	<u>\$ (638,274)</u>

Overall, there is a decrease in net position as reflected on the Statement of Activities of \$107,670 at June 30, 2017, compared to a decrease of \$745,944 at June 30, 2016.

Capital Assets

Capital assets of the Foundation include land, buildings, site improvements, 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, 2017 and June 30, 2016 were \$4,635,360 and \$4,695,486, 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, 2017.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF NET POSITION
JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 404,557
Accounts receivable	610
Other current assets	11,519
Total current assets	416,686
Noncurrent Assets:	
Investments	1,808,878
Capital assets, net	4,635,360
TOTAL ASSETS	6,860,924
LIABILITIES:	
Current Liabilities:	
Accounts payable	32,791
Accrued expenses	3,675
Note payable	3,927
Total current liabilities	40,393
Noncurrent Liabilities:	
Liability for compensated absences	7,164
Note payable	9,062
TOTAL LIABILITIES	56,619
NET POSITION:	
Restricted for:	
Natural resources and recreation	139,244
Endowment – nonexpendable	70,219
Education	80,684
Unrestricted	1,878,798
Investment in capital assets	4,635,360
TOTAL NET POSITION	\$ 6,804,305

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, 2017

<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	\$ 336,867	\$ 24,394	\$ 324,739	\$ 12,266
Natural resources and recreation	752,625	21,115	447,040	(284,470)
Total Governmental Activities	<u>\$ 1,089,492</u>	<u>\$ 45,509</u>	<u>\$ 771,779</u>	<u>(272,204)</u>

General Revenue:	
Restricted investment earnings	47,376
Unrestricted realized gain	36,872
Unrestricted investment – unrealized gain	<u>80,286</u>
Change in Net Position	(107,670)
Net position – Beginning	<u>6,911,975</u>
Net position – Ending	<u>\$ 6,804,305</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, 2017

	<u>SPECIAL REVENUE FUND</u>	<u>NONMAJOR PERMANENT FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$ 378,364	\$ 26,193	\$ 404,557
Accounts receivable	610	-	610
Investments	1,684,168	124,710	1,808,878
Other current assets	11,519	-	11,519
Total Assets	<u>\$ 2,074,661</u>	<u>\$ 150,903</u>	<u>\$ 2,225,564</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 32,791	\$ -	\$ 32,791
Accrued expenses	3,675	-	3,675
Total Liabilities	<u>36,466</u>	<u>-</u>	<u>36,466</u>
Fund Balances:			
Nonspendable	-	70,219	70,219
Restricted:			
Natural resources and recreation	139,244	-	139,244
Education	-	80,684	80,684
Unassigned	1,898,951	-	1,898,951
Total Fund Balances	<u>2,038,195</u>	<u>150,903</u>	<u>2,189,098</u>
Total Liabilities and Fund Balances	<u>\$ 2,074,661</u>	<u>\$ 150,903</u>	<u>\$ 2,225,564</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, 2017

Total fund balances - governmental funds	\$	2,189,098
Amounts reported for governmental activities in the statement of net position are different because:		
Notes payable reflects debt payments the Foundation will recognize as expense when paid in the governmental financial statements.		(12,989)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,635,360
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Liability for compensated absences		(7,164)
Net position of governmental activities	\$	6,804,305

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, 2017

	SPECIAL REVENUE FUND	NONMAJOR PERMANENT FUND	TOTAL
Revenues			
Donations – restricted	\$ 447,040	\$ -	\$ 447,040
Investment income – restricted	37,308	10,068	47,376
Investment income – restricted unrealized gain	-	-	-
Investment income – unrestricted	-	-	-
Investment income – unrestricted unrealized gain	73,277	7,009	80,286
Investment income – unrestricted realized gain	36,872	-	36,872
Donations – unrestricted	234,135	-	234,135
Merchandise sales – restricted	21,115	-	21,115
Merchandise sales – unrestricted	24,394	-	24,394
On-behalf payments	90,604	-	90,604
Total Revenues	<u>964,745</u>	<u>17,077</u>	<u>981,822</u>
Expenditures			
Administrative	246,112	151	246,263
Natural resources and recreation	692,499	-	692,499
On-behalf payments	90,604	-	90,604
Total Expenditures	<u>1,029,215</u>	<u>151</u>	<u>1,029,366</u>
Other Financing Sources (Uses)			
Repayment of long-term notes payable	<u>(3,758)</u>	-	<u>(3,758)</u>
Total Other Financing Sources (Uses)	<u>(3,758)</u>	-	<u>(3,758)</u>
Net Change in Fund Balances	(68,228)	16,926	(51,302)
Fund Balance – Beginning	<u>2,106,423</u>	<u>133,977</u>	<u>2,240,400</u>
Fund Balance – Ending	<u>\$ 2,038,195</u>	<u>\$ 150,903</u>	<u>\$ 2,189,098</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, 2017

Net change in fund balances - total governmental funds	\$	(51,302)
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Repayment of long-term notes payable		3,758
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases capitalized		16,181
Depreciation expense		(76,307)
Contributed assets expensed		<u>(60,126)</u>

Change in net position of governmental activities	\$	<u>(107,670)</u>
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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, 2017

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 2017, the Foundation implemented Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Pension Plans*; and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Foundation implemented these standards during the current year; however, none had any impact on the financial statements.

B. Date of Management's Review

Management has evaluated subsequent events through December 13, 2017, the date when the financial statements were available to be issued.

C. Financial Reporting Entity

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

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

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

Based upon the required criteria, the Foundation has no component units. However, the Foundation is a component unit of the State of Illinois.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 fund:

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.

The Foundation administers the following nonmajor governmental fund:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Concluded)

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

E. Measurement Focus and Basis of Accounting

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

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

Significant revenue sources, which are susceptible to accrual, include merchandise sales and investment income. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets

Capital assets, which consist of land, buildings, site improvements 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, 2016 was the Shooting Range Berm. During the year ended June 30, 2017, the project met the requirement of being ready for its intended use and, therefore, was reclassified as a site improvement.

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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Governmental Fund Balances (Concluded)

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.

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.”

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

M. Net Position (Concluded)

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 10 to 24 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 24 months. 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).

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, 2017.

The Foundation's cash and cash equivalents had a bank balance of \$191,585 and a carrying balance of \$404,557 at June 30, 2017. Of the total bank balances, \$191,585 was secured by Federal Depository Insurance Corporation coverage.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

The Foundation's Investment Policy's mission is to support the Foundation's endowment; which, in turn, supports the Foundation and its Torstenson Family Youth Conservation Education Center by providing a reliable source of funds for current and future use. The purchasing power of the endowment's assets must be maintained in perpetuity and the endowment must achieve investment returns sufficient to sustain the level of spending necessary to support ongoing Foundation operations. The primary investment objective of the Foundation is to earn an average annual real total return of at least 5% per year over the long term, net of cost. The portfolios are to be constructed across different U.S. asset classes (stocks, bonds and cash). The primary objective of the Foundation's asset allocation policy is to provide a strategic mix of asset classes which produces the highest expected investment return within a prudent risk framework. 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). The Foundation's investments are managed by hired investment consultants and the Foundation has placed oversight responsibility for the endowment fund with its financial committee.

Investment Summary Schedule

As of June 30, 2017 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
Corporate Debt Securities	\$ 274,280	\$ -	\$ 274,280	\$ -	\$ -
Certificates of Deposit	151,049				
Corporate Equity Securities	1,232,723				
Mutual Funds	145,156				
Other Assets	5,670				
Total Investments	<u>\$1,808,878</u>				

Interest Rate Risk

The Foundation's formal investment policy does not limit 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, 2017, the Foundation's WAM was as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2: DEPOSITS AND INVESTMENTS (CONCLUDED)

B. Investments (Concluded)

Investment Type	Fair Value	Weighted Average Maturity (Years)
Corporate Debt Securities	\$ 274,280	3.30
Certificates of Deposit	151,049	1.50
Corporate Equity Securities	1,198,676	0.00
Mutual Funds	145,156	0.00
Other Assets	39,717	0.00
	\$ 1,808,878	2.66

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, 2017.

Investment Type	Moody's Quality Rating	Fair Value
Corporate Obligations	A-	\$ 48,166
	AA	42,584
	AA+	-
	AA-	42,584
	B+	75,110
	BBB+	82,204
Total Debt Securities		\$ 290,648

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3: RESTRICTED FUND BALANCE (CONCLUDED)

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.

NOTE 4: 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, 2017 is as follows:

Salaries	\$ 57,783
Benefits	<u>32,821</u>
Total	<u>\$ 90,604</u>

The total of \$90,604 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.

NOTE 5: COMMITMENTS

Over the past 14 years, the Foundation has been awarded 10 grants from the Forest Service of the U.S. Department of Agriculture and 12 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. Over the past 13 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. All grants have been closed.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6: ACCOUNTS RECEIVABLE

At June 30, 2017, the Foundation had accounts receivable of \$610. This amount consists of miscellaneous receipts. The Foundation considers all the accounts receivable to be fully collectible.

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 2,968,000	\$ -	\$ -	\$ -	\$ 2,968,000
Construction-in-progress	96,828	-	-	(96,828)	-
Total capital assets not being depreciated	3,064,828	-	-	(96,828)	2,968,000
Capital assets being depreciated:					
Buildings	1,793,448	-	-	-	1,793,448
Site improvements	77,451	-	-	96,828	174,279
Equipment	79,658	16,181	-	-	95,839
Total capital assets being depreciated	1,950,557	16,181	-	96,828	2,063,566
Less accumulated depreciation:					
Buildings	(290,600)	(56,532)	-	-	(347,132)
Site improvements	(3,908)	(5,809)	-	-	(9,717)
Equipment	(25,391)	(13,967)	-	-	(39,358)
Total accumulated depreciation	(319,899)	(76,308)	-	-	(396,207)
Governmental Activities - Capital Assets, Net	<u>\$ 4,695,486</u>	<u>\$ (60,127)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,635,359</u>

Capital assets are being depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2017 of \$76,308 was charged to the governmental activities on the government-wide Statement of Activities.

Certain land, buildings, and equipment with a carrying value of \$4,040,771 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8: LONG-TERM LIABILITIES

Long-term obligations are as follows:

	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount</u>
Ally Financial, Inc. note, proceeds used to purchase a truck for the Torstenson Farm Property.	September 2020	3.90%	\$ 12,989

Note payable debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 3,927	\$ 436
2019	4,083	281
2020	4,245	118
2021	734	4
	<u>\$ 12,989</u>	<u>\$ 839</u>

NOTE 9: CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the Foundation for the year ended June 30, 2017 was as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>
Note Payable	\$ 16,747	\$ -	\$ (3,758)	\$ 12,989

NOTE 10: 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 11: 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 three years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12: 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:

- Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) - Locally-Held Funds
- Schedule of Changes in Property

Analysis of Operations (Unaudited):

- Analysis of Significant Variations in Expenditures (Unaudited)
- Analysis of Significant Variations in Receipts (Unaudited)
- Analysis of Significant Account Balances (Unaudited)
- Analysis of Accounts Receivable (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)

The independent auditor's report that covers the State Compliance Schedules 1 through 2 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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Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) -
Locally-Held Funds
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents, beginning	\$ 545,125	\$ 394,743
Receipts:		
Donations	728,985	612,066
Grants and receipts from other governments	-	3,047
Merchandise sales	45,509	41,324
Investment drawdowns	-	385,001
Investment transfers to money market accounts	200,000	398,448
Net investment income	<u>164,534</u>	<u>159,920</u>
Disbursements:		
General administrative	(587,097)	(294,166)
Programs	<u>(692,499)</u>	<u>(1,155,258)</u>
Cash and cash equivalents, ending	<u>\$ 404,557</u>	<u>\$ 545,125</u>

ILLINOIS CONSERVATION FOUNDATION
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Schedule of Changes in Property
For the Years Ended June 30, 2017 and 2016

	<u>Building and Improvements</u>	<u>Equipment</u>	<u>Site Improvements</u>	<u>Land</u>	<u>Construction- in-Progress</u>	<u>Total</u>
Balance at June 30, 2016	\$ 1,793,448	\$ 79,658	\$ 77,451	\$ 2,968,000	\$ 96,828	\$ 5,015,385
Additions	-	16,181	-	-	-	16,181
Reclassifications	-	-	96,828	-	(96,828)	-
Balance at June 30, 2017	<u>\$ 1,793,448</u>	<u>\$ 95,839</u>	<u>\$ 174,279</u>	<u>\$ 2,968,000</u>	<u>\$ -</u>	<u>\$ 5,031,566</u>

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Significant Variations in Expenditures
For the Years Ended June 30, 2017 and 2016
(Unaudited Disclosures by Agency Management)

Program	2017	2016	Increase (Decrease)	%
(1) Law Enforcement	\$ 12,100	\$ 112,761	\$ (100,661)	-89.3%
(2) Illinois Conservation Foundation Gala	300	26,883	(26,583)	-98.9%
(3) Becoming an Outdoor Woman	44,928	32,651	12,277	37.6%
(4) Blackhawk Statue Restoration Project	22,463	286,385	(263,922)	-92.2%
(5) NASP Youth	18,984	15,712	3,272	20.8%
(6) Sportsman Raffle	-	16,802	(16,802)	-100.0%
(7) Torstenson Property Pond/Range	32,499	12,049	20,450	169.7%
(8) Torstenson - River Center	-	102,107	(102,107)	-100.0%
(9) Torstenson Property Operations	321,229	291,734	29,495	10.1%
(10) Schoolyard Habitat Grant	25,951	6,109	19,842	324.8%

- (1) Law Enforcement decreased by \$100,661 or -89.3% in Fiscal Year 2017. DNR funding frozen by the budget crisis resulted in the Foundation receiving and disbursing more funds on behalf of the DNR in Fiscal Year 2016 and returned to normal levels in 2017.
- (2) Illinois Conservation Foundation Gala decreased \$26,583 or -98.9% in Fiscal Year 2017. The decrease in program expenditures is because there was no Gala held in Fiscal Year 2017. An immaterial amount was recorded for food and beverages.
- (3) Becoming an Outdoor Woman increased \$12,277 or 37.6% in Fiscal Year 2017. Expenditures required to provide the program increased from Fiscal Year 2016.
- (4) Blackhawk Statue Restoration Project decreased \$263,922 or -92.2% in Fiscal Year 2017. The majority of work took place in Fiscal Year 2016 with few expenses left over for Fiscal Year 2017.
- (5) NASP Youth increased \$3,272 or 20.8% in Fiscal Year 2017. Expenditures to conduct the program increased from Fiscal Year 2016 and there were more participants in Fiscal Year 2017.
- (6) Sportsman Raffle decreased \$16,802 or -100% in Fiscal Year 2017. In Fiscal Year 2017, no Sportsman Raffle was held.
- (7) Torstenson Property Pond/Range increased \$20,450 or 169.7% in Fiscal Year 2017. A project

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Analysis of Significant Variations in Expenditures (Continued)
For the Years Ended June 30, 2017 and 2016
(Unaudited Disclosures by Agency Management)

in Fiscal Year 2016 and more projects beginning again in Fiscal Year 2017.

- (8) Torstenson - River Center decreased \$102,107 or -100.0% in Fiscal Year 2017. The Foundation started and completed a renovation project on the River Center at the Torstenson Farm Property in Fiscal Year 2016 and did not recur in Fiscal Year 2017.
- (9) Torstenson Property Operations increased \$29,495 or 10.1% in Fiscal Year 2017. The Foundation incurred more repair and maintenance costs than in Fiscal Year 2016.
- (10) Schoolyard Habitat Grant increased \$19,842 or 324.8% in Fiscal Year 2017. The Foundation awarded more awards in Fiscal Year 2017 than in Fiscal Year 2016.

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Significant Variations in Receipts
For the Years Ended June 30, 2017 and 2016
(Unaudited Disclosures by Agency Management)

Program	2017	2016	Increase (Decrease)	%
(1) Donations - Restricted	\$ 447,040	\$ 257,971	\$ 189,069	73.3%
(2) Investment Income - Unrestricted Unrealized Gain/(Loss)	80,286	(177,603)	257,889	-145.2%
(3) Investment Income - Unrestricted	-	92,255	(92,255)	100.0%
(4) Merchandise Sales - Unrestricted	24,394	18,117	6,277	34.6%
(5) Merchandise Sales - Restricted	21,115	23,207	(2,092)	-9.0%

(1) Donations - Restricted increased \$189,069 or 73.3% in Fiscal Year 2017. The increase was due to more donations received for the Torstenson Property Pond/Range and River Center projects, ENTICE, and Blackhawk Restoration Project in Fiscal Year 2017.

(2) Investment Income - Unrestricted Unrealized gain increased \$257,889 or 145.2% in Fiscal Year 2017. The increase was due to significant improvements in market conditions.

(3) Investment Income - Unrestricted decreased \$92,255 or 100.0% in Fiscal Year 2017. However, both unrealized and realized gains were reported in the investment accounts and there were no net losses.

(4) Merchandise Sales - Unrestricted increased \$6,277 or 34.6% in Fiscal Year 2017. This increase was the result of more turkey, deer, and duck hunting pins sold over Fiscal Year 2016.

(5) Merchandise Sales - Restricted decreased \$2,092 or 9.0% in Fiscal Year 2017. The decrease was due to fewer calendars being sold in Fiscal Year 2017 than in Fiscal Year 2016.

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Significant Account Balances
For the Years Ended June 30, 2017 and 2016
(Unaudited Disclosures by Agency Management)

Account	2017	2016	Increase (Decrease)	%
(1) Cash and Cash Equivalents	\$ 404,557	\$ 545,125	\$ (140,568)	-25.8%
(2) Investments	1,808,878	1,718,410	90,468	5.3%
(3) Accounts Payable	32,791	78,338	(45,547)	-58.1%

(1) Cash and Cash Equivalents decreased \$140,568 or 25.8% in Fiscal Year 2017. The decrease was due to a decrease in investment drawdowns within the investment accounts.

(2) Investments, net of realized and unrealized losses, increased \$90,468 or 5.3% in Fiscal Year 2017. The increase is a result of investment gains realized in Fiscal Year 2017.

(3) Accounts Payable decreased \$45,547 or 58.1% in Fiscal Year 2017. The decrease was due to less overall outstanding obligations.

ILLINOIS CONSERVATION FOUNDATION
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Analysis of Accounts Receivable
For the Years Ended June 30, 2017 and 2016
(Unaudited Disclosures by Agency Management)

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
(1) Accounts Receivable	\$ 610	\$ 56,100	\$ (55,490)
<p>(1) Accounts Receivable consists of a) amounts due from the sale of deer and turkey pins, but not received and deposited until July and August 2017.</p>			
a) Under 60 days old-	<u>\$ 610</u>		
	<u>\$ 610</u>		

ILLINOIS CONSERVATION FOUNDATION
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Agency Functions and Planning Program
June 30, 2017
(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, 2017
(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>
2015	3	12
2016	3	12
2017	2.75	11

ILLINOIS CONSERVATION FOUNDATION
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Comparative Schedule of Administrative Expenditures
For the Years Ended June 30, 2017 and 2016
(Unaudited Disclosures by Agency Management)

	2017	2016	Increase (Decrease)
Accounting	\$ 53,751	\$ 56,355	\$ (2,604)
Director's Salary	54,554	112,000	(57,446)
General Administrative	137,958	127,884	10,074
Total Administrative Expenditures	\$ 246,263	\$ 296,239	\$ (49,976)
 TOTAL EXPENDITURES	 \$ 1,029,366	 \$ 1,603,973	
 % of Administrative Expenditures to Total Expenditures	 23.92%	 18.47%	

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

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

ILLINOIS DEPARTMENT OF NATURAL RESOURCES

The Foundation entered into an MOU with the Illinois Department of Natural Resources to 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.

ILLINOIS CONSERVATION FOUNDATION
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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.