

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

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2018

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, 2018

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ILLINOIS CONSERVATION FOUNDATION
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FOUNDATION OFFICIALS

Board of Directors:

Rosenthal, Wayne – Appointment designated by statute – Chairman

Anderson, Ryan – Appointed by Governor Quinn – Secretary (effective November 14, 2017)

Johnson, Barbara – Appointed by Governor Rauner – Treasurer (effective November 14, 2017)

Katlin, Andrew – Appointed by Governor Quinn

Vacant – Appointment to be made by Governor

Cullerton, William Jr. – Appointed by Representative Madigan

Ruffolo, Mike – Appointed by Representative Madigan

Schneider, Diane – Appointed by Representative Durkin (effective October 2, 2018)

Bennett, Tom – Appointed by Representative Durkin (effective October 3, 2017)

Bettin, Cameron – Appointed by Representative Cross (until October 2, 2018)

Banks, Trip – Appointed by Senator Cullerton (effective July 19, 2018)

Hillstrom, Mike – Appointed by Senator Cullerton (effective July 19, 2018)

Keck, Fred – Appointed by Senator Cullerton (until August 1, 2018)

Kidd, John Jr. – Appointed by Senator Jones (until July 19, 2018)

Polhamus, Ken – Appointed by Senator Brady (effective August 1, 2018)

Russell, Robert Dr. – Appointed by Senator Phillip

Ducey, Barbara – Appointed by Senator Jones (until November 14, 2017)

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

Foundation Executive Director:

Schenck, Eric (March 28, 2017 – present)

Chief Financial Officer:

Hovey, Jennifer (April 15, 2017 – April 15, 2018)

Vacant (April 16, 2018 – present)

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FOUNDATION OFFICIALS

Committees as of June 30, 2018, were as follows:

Executive Committee

Rosenthal Wayne - Chairman
Anderson, Ryan
Johnson, Barbara
Cullerton, William Jr.

Finance Committee

Johnson, Barbara - Chairman
Anderson, Ryan
Katlin, Andrew
Russell, Robert Dr.
Siciliano, Jennifer - Advisor

Special Events Committee

Cullerton, William Jr. - Chairman
Anderson, Ryan
Bettin, Cameron
Johnson, Barbara

Strategic Planning & Torstenson Committee

Anderson, Ryan - Co-Chairman
Cullerton, William Jr. - Co-Chairman
Bettin, Cameron
Katlin, Andrew
Russell, Robert Dr.
Johnson, Barbara
Hoffman, Tom - Advisor

Conservation Scholarship Committee

Bettin, Cameron - Chairman
Katlin, Andrew
Russell, Robert Dr.
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



ILLINOIS CONSERVATION FOUNDATION
MANAGEMENT ASSERTION LETTER

January 15, 2019

E.C. Ortiz & Co., LLP
Certified Public Accountants
333 S. Desplaines Street, Suite 2-N
Chicago, Illinois 60661

Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Conservation 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 Illinois Conservation Foundation's compliance with the following assertions during the year ended June 30, 2018. Based on this evaluation, we assert that during the year ended June 30, 2018, the Illinois Conservation Foundation has materially complied with the assertions below.

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

Yours truly,

SIGNED ORIGINAL ON FILE

Eric Schenck, Executive Director

Illinois Conservation Foundation

ILLINOIS CONSERVATION FOUNDATION
 (A Component Unit of the State of Illinois)
 FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
 For the Year Ended June 30, 2018

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	2	1
Repeated findings	1	1
Prior recommendations implemented or not repeated	0	0

SCHEDULE OF FINDINGS

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

2018-001	11	Financial Statement Preparation - Merchandise Held for Sale	Significant Deficiency and Noncompliance
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FINDINGS (*STATE COMPLIANCE*)

2018-002	13	Inadequate Planning and Monitoring Program	Significant Deficiency and Noncompliance
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In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

2018-001	11	Financial Statement Preparation - Merchandise Held for Sale	Significant Deficiency and Noncompliance
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ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
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PRIOR FINDINGS NOT REPEATED

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

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with the Foundation personnel at an exit conference on January 15, 2019.

Attending were:

Illinois Conservation Foundation

Eric Schenck, Executive Director
Amber Krager, Office Manager
Jeff Beals, Acting Chief Internal Auditor – Illinois Department of Natural Resources
Steve Ettinger, Chief Operating Officer

Office of the Auditor General

Jennifer Rankin, Audit Manager

E.C. Ortiz & Co., LLP

Marites Sy, Partner

The responses to the recommendations were provided by Eric Schenck, Executive Director, in a letter dated January 15, 2019.



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, 2018. 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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the Foundation complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the Foundation complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide 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, 2018. However, the results of our procedures disclosed 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 2018-001 and 2018-002.

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

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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.

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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2018-001 and 2018-002, that we consider 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 internal control findings identified in our examination are described in the accompanying schedule of findings. The Foundation's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
January 15, 2019



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, 2018, 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 15, 2019.

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(s) 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.

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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from 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 item 2018-001.

Foundation's Response to Finding

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

Chicago, Illinois
January 15, 2019

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2018

SCHEDULE OF FINDINGS
CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2018-001. **Finding** (Financial Statement Preparation - Merchandise Held for Sale)

The Illinois Conservation Foundation (Foundation) did not have adequate controls over the financial statement process regarding merchandise available for sale.

The Foundation sells custom design lapel pins to the public for fund-raising. During testing, we noted the Foundation did not perform an inventory count on these pins and did not account for its inventory during the year. The Foundation subsequently performed a count and recorded inventory of \$17,477.

Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements*, paragraph 189 defines inventory as those items of tangible personal property that (a) are held for sale in the ordinary course of operations, (b) are in process of production for such sale, or (c) are to be consumed in the production of goods or services to be available for sale.

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 resources are utilized efficiently, effectively, and in compliance with applicable law.

Foundation management stated due to limited staffing, inventory counts were not performed, and therefore, not set up as inventory at the end of the year.

In addition, in prior year, we noted the Foundation failed to make numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles, recorded internal transfers in error, and failed to identify a capital asset. In the current year, the Foundation improved its control over adjusting entries and internal transfers.

Inadequate controls over inventories may result in misuse or misappropriation of assets and could result in inaccurate financial information. (Finding Code No. 2018-001, 2017-001, 2016-001, 2015-001, 2014-001, 2013-001, 12-1, 11-1)

Recommendation

We recommend management perform an annual count of inventory of its merchandise held for sale to determine the amount of assets to be recorded at the end of the fiscal year.

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SCHEDULE OF FINDINGS
CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

Foundation Response

Agrees.

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(A Component Unit of the State of Illinois)
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2018

SCHEDULE OF FINDINGS
CURRENT FINDINGS – *STATE COMPLIANCE*

2018-002. **Finding** (Inadequate Planning and Monitoring Program)

The Illinois Conservation Foundation did not have adequate planning and monitoring procedures.

During testing, we noted the following:

- The Foundation had not established procedures and processes for program monitoring, key measurement criteria or performance measures to assess progress toward objectives, and assignment of responsibility for achieving objectives. Further, the Foundation did not have a budgeting process to assist in the evaluation of its progress towards its objectives and assign priorities and resources.
- The Foundation's policies and procedures were last updated in 1995 and have not been updated after this date to reflect changes of current procedures and practices.
- The Foundation's Board is currently composed of 12 instead of 13 members as required by the Illinois Conservation Foundation Act. The vacancy is to be filled through an appointment from the Office of the Governor.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain systems of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law; and funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

The Illinois Conservation Foundation Act (Act) (20 ILCS 880/5) states that the Foundation's Board of Directors shall be appointed as follows: 2 by the President of the Illinois Senate; 2 by the Minority Leader of the Illinois Senate; 2 by the Speaker of the Illinois House of Representatives; 2 by the Minority Leader of the Illinois House of Representatives; and 4 by the Governor. The Act designates the Director of the Department of Natural Resources as the Chairman of the Board of Directors.

Foundation management stated the lack of planning and monitoring program and failure to update its policies and procedures is due to limited staff resources. Foundation management also stated it had reached out to the appointing bodies, but it was unsuccessful in securing the appointments to all vacancies.

An adequate planning program is necessary for the agency to ensure compliance with laws, rules, and regulations, proper expenditure of funds, collection of required revenues, and custody over assets. An inadequate planning program demonstrates a lack of oversight, reduces accountability, and increases the likelihood that funds are not expended as approved or as intended. Lastly, failure

ILLINOIS CONSERVATION FOUNDATION
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For the Year Ended June 30, 2018

SCHEDULE OF FINDINGS
CURRENT FINDINGS – *STATE COMPLIANCE*

to appoint members to the Illinois Conservation Foundation Board may inhibit the Board from properly fulfilling its duties and responsibilities. (Finding Code No. 2018-002)

Recommendation

We recommend management establish and implement a planning and monitoring program of its activities and measurement criteria and processes to determine progress towards its objectives. In addition, management should update its policies and procedures to reflect current practices. We also recommend management continue its efforts to fill the vacancy in the Board.

Foundation Response

Agrees.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2018

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 E.C. Ortiz & Co., LLP, Certified Public Accountants.

Based on its 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 Foundation's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 11-14 of this report as item 2018-001 (Financial Statement Preparation - Merchandise Held for Sale) and item 2018-002 (Inadequate Planning and Monitoring Program).



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, 2018, 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, 2018, 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 19-22 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 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, 2018, in the State Compliance 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 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, 2018, 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.

Other auditors previously audited, in accordance with the 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, 2017 (not presented herein). In their report dated December 13, 2017, they expressed unmodified opinions on the financial statements of the governmental activities and each major fund of the Foundation. In their opinion, the June 30, 2017 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2017, taken as a whole.

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 January 15, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's 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 Board, and the Foundation management and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
January 15, 2019

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2018

MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)

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, 2018. 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 cannot be implemented because State funding is not available. The specific purposes of the Foundation 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.

Financial Highlights

- The Foundation's total assets increased \$126,099 or 2% during the fiscal year.
- The Foundations total assets exceeded its liability by \$6,944,164 (net position). Of this amount, \$2,164,671 is unrestricted and maybe utilized to meet the Foundation's ongoing programs and activities.
- Net position increased \$139,859 or 2% during the fiscal year.

Overview of the Financial Statements

The Foundation's government-wide 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 and the Statement of Activities.

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

Statement of Activities presents the revenues and expenses of the Foundation. The items presented on the Statement of Activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the Foundation. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2018

MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)

Overview of the Financial Statements (Continued)

Condensed Comparative Summary of Net Position as of June 30

	<u>2018</u>	<u>2017</u>	<u>2018/2017 Change</u>
Total Current Assets	\$ 487,188	\$ 416,686	\$ 70,502
Investments	1,918,690	1,808,878	109,812
Capital Assets	4,581,145	4,635,360	(54,215)
Total Assets	<u>6,987,023</u>	<u>6,860,924</u>	<u>126,099</u>
Current Liabilities	41,137	40,393	744
Noncurrent Liabilities	1,722	16,226	(14,504)
Total Liabilities	<u>42,859</u>	<u>56,619</u>	<u>(13,760)</u>
Restricted	198,348	290,147	(91,799)
Unrestricted	2,164,671	1,878,798	285,873
Investment in Capital Assets	4,581,145	4,635,360	(54,215)
Total Net Position	<u>\$ 6,944,164</u>	<u>\$ 6,804,305</u>	<u>\$ 139,859</u>

Condensed Comparative Statement of Activities for the Year Ending June 30

	<u>2018</u>	<u>2017</u>	<u>2018/2017 Change</u>
Program Revenues:			
Charges for Goods and Services	\$ 23,347	\$ 45,509	\$ (22,162)
Operating Grants and Contributions	811,069	771,779	39,290
General Revenues:			
Investment Income	52,089	47,376	4,713
Unrealized/Realized Gain	123,188	117,158	6,030
Total Revenues	<u>\$ 1,009,693</u>	<u>\$ 981,822</u>	<u>\$ 27,871</u>
Expenses:			
General and Administrative	\$ 332,283	\$ 336,867	\$ (4,584)
Natural Resources and Recreation	537,551	752,625	(215,074)
Total Expenses	<u>\$ 869,834</u>	<u>\$ 1,089,492</u>	<u>\$ (219,658)</u>
Change in Net Position	\$ 139,859	\$ (107,670)	\$ 247,529
Net Position, Beginning	6,804,305	6,911,975	(107,670)
Net Position, Ending	<u>6,944,164</u>	<u>6,804,305</u>	<u>139,859</u>

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Overall, the financial position and results of operation has improved during the year. The improvement during the year was due to the continuous improvement in the market conditions resulting in higher investment income. In addition, the completion of various repairs and maintenance of the Torstenson Farm Property in Fiscal Year 2017 resulted in lower expenditures during Fiscal Year 2018.

Analysis of Individual Funds

Within the Special Revenue Fund, revenues increased by \$31,351 from \$964,745 in Fiscal Year 2017 to \$996,096 in Fiscal Year 2018. Expenditures decreased by \$195,315 from \$1,029,215 in Fiscal Year 2017 to \$833,900 in Fiscal Year 2018. The increase in revenues is primarily due to improved market performance that occurred during Fiscal Year 2018. Expenses decreased because of decreased activities in the Department of Natural Resources sponsored programs in Fiscal Year 2018 and completion of various repairs and maintenance of the Torstenson Youth Center in Fiscal Year 2017.

Within the Permanent Fund, revenues decreased by \$3,480 from \$17,077 in Fiscal Year 2017 to \$13,597 in Fiscal Year 2018. The decrease was primarily due to the movements in the investment income and unrealized/realized gains for investments held in perpetuity.

At the end of Fiscal Year June 30, 2018, the Foundation's governmental funds reported a combined ending fund balances of \$2,364,741, an increase \$175,643 from the prior year combined fund balances of \$2,189,098. The increase resulted primarily from lower expenditures during the current fiscal year after the completion of several repairs and maintenance at the Torstenson Farm Property in prior year.

Approximately 90% of ending fund balance constitutes the unassigned portion. The remainder of the fund balance is classified as restricted or nonspendable to indicate it is not available for new spending.

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, 2018 and June 30, 2017, were \$4,581,145 and \$4,635,360, 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, 2018.

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MANAGEMENT DISCUSSION AND ANALYSIS
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Other Events

The Foundation is reviving its restoration project of the Black Hawk statue that was started in prior years. The Foundation anticipates receiving \$225,000 in new donations from private foundations, individuals, and civic groups to complete the restoration project in Fiscal Year 2020. The Black Hawk statue is a national historic landmark in Lowden State Park.

ILLINOIS CONSERVATION FOUNDATION
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STATEMENT OF NET POSITION

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 452,251
Accounts receivable	4,710
Inventory	17,477
Other assets	12,750
Total Current Assets	487,188
Noncurrent Assets:	
Investments	1,918,690
Capital assets, net	4,581,145
Total Noncurrent Assets	6,499,835
TOTAL ASSETS	6,987,023
LIABILITIES:	
Current Liabilities:	
Accounts payable	34,855
Accrued expenses	6,282
Total Current Liabilities	41,137
Noncurrent Liabilities:	
Liability for compensated absences	1,722
Total Noncurrent Liabilities	1,722
TOTAL LIABILITIES	42,859
NET POSITION:	
Restricted for:	
Natural resources and recreation	33,998
Endowment - nonspendable	70,219
Education	94,131
Unrestricted	2,164,671
Investment in capital assets	4,581,145
TOTAL NET POSITION	\$ 6,944,164

ILLINOIS CONSERVATION FOUNDATION
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STATEMENT OF ACTIVITIES

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		NET (EXPENSE) REVENUE
		CHARGES FOR GOODS	OPERATING GRANTS AND CONTRIBUTIONS	
Environment and Business				
Regulations:				
General administrative	\$ 332,283	\$ 480	\$ 476,472	\$ 144,669
Natural resources and recreation	537,551	22,867	334,597	(180,087)
Total Governmental Activities	\$ 869,834	\$ 23,347	\$ 811,069	\$ (35,418)
		General Revenue:		
				52,089
				9,374
				113,814
		Change in Net Position		139,859
		Net position - Beginning		6,804,305
		Net position - Ending		<u>\$ 6,944,164</u>

ILLINOIS CONSERVATION FOUNDATION
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BALANCE SHEET
GOVERNMENTAL FUNDS

	SPECIAL REVENUE FUND	NONMAJOR PERMANENT FUND	TOTAL
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 418,180	\$ 34,071	\$ 452,251
Accounts receivable	4,710	-	4,710
Inventory	17,477	-	17,477
Investments	1,788,411	130,279	1,918,690
Other current Assets	12,750	-	12,750
Total Assets	<u>\$ 2,241,528</u>	<u>\$ 164,350</u>	<u>\$ 2,405,878</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 34,855	\$ -	\$ 34,855
Accrued Expenses	\$ 6,282	\$ -	\$ 6,282
Total Liabilities	<u>41,137</u>	<u>-</u>	<u>41,137</u>
Fund Balances:			
Nonspendable	-	70,219	70,219
Restricted:			
Natural resources and recreation	33,998	-	33,998
Education	-	94,131	94,131
Unassigned	2,166,393	-	2,166,393
Total Fund Balance	<u>2,200,391</u>	<u>164,350</u>	<u>2,364,741</u>
Total Liabilities and Fund Balances	<u>\$ 2,241,528</u>	<u>\$ 164,350</u>	<u>\$ 2,405,878</u>

ILLINOIS CONSERVATION FOUNDATION
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RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

Total fund balances - governmental funds	\$ 2,364,741
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,581,145
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,722)
Net position of governmental activities	<u><u>\$ 6,944,164</u></u>

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

	SPECIAL REVENUE FUND	NONMAJOR PERMANENT FUND	TOTAL
Revenues			
Donations - restricted	\$ 334,597	\$ -	\$ 334,597
Investment income - restricted	40,780	11,309	52,089
Investment income - unrestricted unrealized gain	111,526	2,288	113,814
Investment income - unrestricted realized gain	9,374	-	9,374
Donations - unrestricted	418,288	-	418,288
Merchandise sales - restricted	22,867	-	22,867
Merchandise sales - unrestricted	480	-	480
On-behalf payments	58,184	-	58,184
Total Revenues	<u>996,096</u>	<u>13,597</u>	<u>1,009,693</u>
Expenditures			
Administrative	272,227	150	272,377
Natural resources and recreation	503,489	-	503,489
On-behalf payments	58,184	-	58,184
Total Expenditures	<u>833,900</u>	<u>150</u>	<u>834,050</u>
Net Change in Fund Balances	162,196	13,447	175,643
Fund Balance - Beginning	<u>2,038,195</u>	<u>150,903</u>	<u>2,189,098</u>
Fund Balance - Ending	<u>\$ 2,200,391</u>	<u>\$ 164,350</u>	<u>\$ 2,364,741</u>

ILLINOIS CONSERVATION FOUNDATION
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RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental funds	\$	175,643
Amounts reported for governmental activities in the statement of activities are different because:		
Payment and changes of compensated absences is recorded as expenditures in the governmental funds. However, they reduced liabilities in the statement of activities		5,441
Repayment of long-term notes payable is recorded as expenditures in the governmental funds. However, they reduced long term liabilities in the statement of activities		12,989
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		44,892
Net book value of capital assets disposed		(20,858)
Depreciation expense		(78,248)
		(78,248)
Change in net position of governmental activities	\$	139,859

ILLINOIS CONSERVATION FOUNDATION
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FINANCIAL AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2018

NOTES TO THE BASIC FINANCIAL STATEMENTS

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 2018, the Foundation implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 85, *Omnibus 2017*; and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. 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 January 15, 2019, 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

The Foundation administers the following nonmajor governmental fund:

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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 maintained outside the State Treasury.

G. Inventories

Inventories of the Foundation are valued at cost and the Foundation uses the first-in, first-out (FIFO) flow assumptions in determining cost. The inventories consist of merchandise available for sales that are recorded as expenditures when purchased.

H. Investments

Foundation investments are recorded at fair value as determined by quoted market prices for identical or similar assets. The Foundation holds investments in marketable equity securities and debt securities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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. 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.

Gifts of land, buildings, equipment, and other long-lived assets are also reported as unrestricted revenue and net position, unless subject to donor restrictions.

Noncash contributions are recorded at estimated fair value when received.

K. Governmental Fund Balances

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

Nonspendable Fund Balance – The portion of a governmental fund’s net 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

L. Net Position

In the government-wide financial statements, net position 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 “investment 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 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).

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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 savings accounts of \$139,686 and cash in the Foundation's investment accounts of \$312,565 at June 30, 2018. The checking and savings accounts are secured by the Federal Depository Insurance Corporation coverage.

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.

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FINANCIAL AND COMPLIANCE EXAMINATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Summary Schedule

As of June 30, 2018, 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	\$ 194,813	\$ -	\$ 194,813	\$ -	\$ -
Certificates of Deposit	104,705				
Corporate Equity Securities	1,406,329				
Mutual Funds	212,843				
Total Investments	<u>\$ 1,918,690</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, 2018, the Foundation's WAM was as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Corporate Debt Securities	\$ 194,813	2.92
Certificates of Deposit	104,705	0.76
Corporate Equity Securities	1,406,329	-
Mutual Funds	212,843	-
	<u>\$ 1,918,690</u>	

Concentration of Credit Risk and Credit Risk for Investments

The Foundation does not have a formal investment policy that limits investment choices. The Foundation investment policy sets forth no single issue shall constitute more than 5% of the total portfolio, with the exception of government obligations. The following table presents the quality ratings of debt securities held by the Foundation as of June 30, 2018.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2: DEPOSITS AND INVESTMENTS (CONCLUDED)

Investment Type	Moody's Quality Rating	Fair Value
Corporate Obligations	A2	\$ 25,010
	Aa2	41,950
	A3	127,853
Total Debt Securities		\$ 194,813

NOTE 3: FAIR VALUE MEASUREMENT

In accordance with GASB 72, the Foundation's investments are measured and reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments are classified according to the following hierarchy.

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investment reflect prices that are based on similar observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Fair value of the Foundation's mutual funds is determined by the Foundation from observable market quotations as provided by the Foundation's custodian bank.

Fair value of the Foundation's corporate debt securities and corporate equity securities are provided by its custodial bank. The prices are derived from inputs that are directly observable for an asset based on similar assets, as well as inputs that are not directly observable and are derived from observable market data.

The following table presents the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2018:

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NOTE 3: FAIR VALUE MEASUREMENT (CONTINUED)

<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Debt Securities	\$ 194,813		\$ 194,813	
Corporate Equity Securities	1,406,329		1,406,329	
Mutual Funds	212,843	\$ 212,843	-	
Total Investments	<u>\$ 1,813,985</u>	<u>\$ 212,843</u>	<u>\$ 1,601,142</u>	<u>\$ -</u>

NOTE 4: 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 nonspendable. That portion of the fund balance that is the result of unspent earnings from endowment investments is restricted for education.

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, 2018, is as follows:

Salaries	\$ 30,245
Benefits	<u>27,939</u>
Total	<u>\$ 58,184</u>

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The total of \$58,184 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 6: ACCOUNTS RECEIVABLE

At June 30, 2018, the Foundation had accounts receivable of \$4,710. 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, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 2,968,000	-	-	\$ 2,968,000
Total capital assets not being depreciated	2,968,000	-	-	2,968,000
Capital assets being depreciated:				
Buildings	1,793,448	-	-	1,793,448
Site improvements	174,279	-	-	174,279
Equipment	95,839	44,892	(30,984)	109,747
Total capital assets being depreciated	2,063,566	44,892	(30,984)	2,077,474
Less accumulated depreciation:				
Buildings	(347,132)	(56,532)	-	(403,664)
Site improvements	(9,717)	(5,809)	-	(15,526)
Equipment	(39,358)	(15,907)	10,126	(45,139)
Total accumulated depreciation	(396,207)	(78,248)	10,126	(464,329)
Governmental Activities - Capital Assets, Net	<u>\$ 4,635,359</u>	<u>\$ (33,356)</u>	<u>\$ (20,858)</u>	<u>\$ 4,581,145</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, 2018, of \$78,248 was charged to the governmental activities on the government-wide Statement of Activities.

Certain land, buildings, and equipment with a carrying value of \$4,137,549 were acquired through a donation from an unaffiliated foundation. The donation of the Torstenson Farm Property carried stipulations that the Foundation could not sell the land but is able to sell buildings and equipment components as needed. The Foundation uses the property to coordinate and provide youth conservation education activities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 8: INCOME TAXES

The Foundation is a non-profit corporation that is 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 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 three 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.

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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):

- Agency Functions and Planning Program (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)
- 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.

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

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents, beginning	\$ 404,557	\$ 545,125
Receipts:		
Donations	747,554	728,985
Merchandise sales	23,347	45,509
Investment transfers to money market accounts	-	200,000
Net investment income	<u>65,465</u>	<u>164,534</u>
Disbursements:		
General administrative	(285,183)	(587,097)
Programs	<u>(503,489)</u>	<u>(692,499)</u>
Cash and cash equivalents, ending	<u>\$ 452,251</u>	<u>\$ 404,557</u>

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Schedule of Changes in Property

	<u>Building and Improvements</u>	<u>Equipment</u>	<u>Site Improvements</u>	<u>Land</u>	<u>Total</u>
Balance at June 30, 2017	\$ 1,793,448	\$ 95,839	\$ 174,279	\$ 2,968,000	\$ 5,031,566
Additions	-	44,892	-	-	44,892
Deletions	-	(30,984)	-	-	(30,984)
Balance at June 30, 2018	<u>\$ 1,793,448</u>	<u>\$ 109,747</u>	<u>\$ 174,279</u>	<u>\$ 2,968,000</u>	<u>\$ 5,045,474</u>

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Agency Functions and Planning Program
(Unaudited)

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.

The Illinois Conservation Foundation inspires today's youth – tomorrow's leaders – by providing quality outdoor education and programs that instill interest in conservation, ecology, and sustainability.

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Agency Functions and Planning Program
(Unaudited)

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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Analysis of Significant Variations in Expenditures
(Unaudited)

Program	2018	2017	Increase (Decrease)	%
(1) Illinois Conservation Foundation Gala	\$ 8,289	\$ 300	7,989	2663%
(2) Biodiversity Fieldtrip Grant	91,106	86,720	4,386	5%
(3) Law Enforcement	19,925	12,100	7,825	65%
(4) Torstenson Youth Center Operations	220,247	353,728	(133,481)	-38%
(5) Schoolyard Habitat Grant	11,417	25,951	(14,534)	-56%
(6) Wingshooting Program	19,298	32,929	(13,631)	-41%

- (1) Illinois Conservation Foundation Gala expenditures increased \$7,989 or 2,663% in Fiscal Year 2018. The increase in expenditures was because the Gala was held in Fiscal Year 2018 but not in Fiscal Year 2017 due to staffing constraint in the prior year.
- (2) Biodiversity Fieldtrip Grants expenditures increased \$4,386 or 5% in Fiscal Year 2018. The Foundation awarded more grants for conservation related fieldtrips by schools during the fiscal year due to an increase in interests by various schools in biodiversity related activities.
- (3) Law Enforcement expenditures increased \$7,825 or 65% in Fiscal Year 2018. The increase was due to the increase in training and seminar expenses of the Conservation Police Office during the year.
- (4) Torstenson Youth Center Operations expenditures decreased \$133,481 or 38% in Fiscal Year 2018. The decrease was due to higher repairs and maintenance of the property in Fiscal Year 2017.
- (5) Schoolyard Habitat Grant expenditures decreased \$14,534 or 56% in Fiscal Year 2018. The Foundation awarded less grants in Fiscal Year 2018 than in Fiscal Year 2017 due to lower applications received during the year. Applications for this grant vary from year to year.
- (6) Wingshooting Program expenditures decreased \$13,631 or 41% in Fiscal Year 2018. The decrease was due to lesser expenses for supplies during the fiscal year as supplies purchased in prior years were utilized for this year's Wingshooting events.

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Analysis of Significant Variations in Receipts
(Unaudited)

Program	2018	2017	Increase (Decrease)	%
(1) Donations - Restricted	\$ 334,597	\$ 447,040	\$ (112,443)	-25%
(2) Unrealized Gain	113,814	80,286	33,528	42%
(3) Donations - Unrestricted	418,288	234,135	184,153	79%
(4) Merchandise Sales - Unrestricted	480	24,394	(23,914)	-98%
(5) On-behalf Payments	58,184	90,604	(32,420)	-36%

- (1) Donations - Restricted decreased \$112,443 or 25% in Fiscal Year 2018. The decrease was due to higher donations in prior year for the Torstenson Property Pond/Range and the River Center Projects, the Environment and Nature Training Conservation Program, and the Black Hawk Restoration Project. The Torstenson projects were completed in Fiscal Year 2017.
- (2) Unrealized Gain increased \$33,528 or 42% in Fiscal Year 2018. The increase was due to continuous improvements in market conditions during the fiscal year.
- (3) Donations - Unrestricted increased \$184,153 or 79% in Fiscal Year 2018. The increase was due to more donations received during the fiscal year without any restrictions imposed by the donors.
- (4) Merchandise Sales - Unrestricted decreased \$23,914 or 98%. The decrease was due to the suspension of the production of wall calendars in Fiscal Year 2018 due to budget restrictions.
- (5) On-behalf Payments decreased \$32,420 or 36% in Fiscal Year 2018. The decrease was due to the decrease in the amount of the expenses paid by the Department of Natural Resources (Department) on behalf of the Foundation. The expenses pertained to the salary of the Office Manager who is an employee of the Department assigned to the Foundation. This position became vacant when the former employee retired during the fiscal year.

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Analysis of Significant Account Balances
(Unaudited)

Account	2018	2017	Increase (Decrease)	%
(1) Cash and Cash Equivalents	\$ 452,251	\$ 404,557	\$ 47,694	12%
(2) Investment	1,918,690	1,808,878	109,812	6%

(1) Cash and Cash Equivalents increased \$47,694 or 12% in Fiscal Year 2018. The increase was due to the increase in revenues over expenditures during the year.

(2) Investment increased \$109,812 or 6% in Fiscal Year 2018. The increase was due to the continuous improvements in market conditions.

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Analysis of Accounts Receivable
 (Unaudited)

	2018	2017	Increase (Decrease)
(1) Accounts Receivable	\$ 4,710	\$ 610	\$ 4,100

(1) Accounts Receivable consists of amounts due from companies for whole-page or half-page advertisements on the Hunting and Fishing Digest. The accounts receivable is current or less than 60 days old.

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Average Number of Employees and Foundation Members
(Unaudited)

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>
2016	3	12
2017	2.75	11
2018	2.75	11

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Comparative Schedule of Administrative Expenditures
(Unaudited)

	2018	2017	Increase (Decrease)
Accounting	\$ 46,081	\$ 53,751	\$ (7,670)
Director's Salary	98,000	54,554	43,446
General Administrative	128,296	137,958	(9,662)
Total Administrative Expenditures	\$ 272,377	\$ 246,263	\$ 26,114
TOTAL EXPENDITURES	\$ 834,050	1,029,366	
% of Administrative Expenditures to Total Expenditures	32.66%	23.92%	

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Memorandums of Understanding
(Unaudited)

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 is effective for five years from the date of execution of January 9, 2015. 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.

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Service Efforts and Accomplishments
(Unaudited)

- 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, in partnership with the Illinois Department of Natural Resources, provided funding for Biodiversity Field Trip Grants to 148 Illinois teachers enabling them to take 9,848 students on a nature-based field trip to a local park or conservation area to learn about conservation and about the natural world that surrounds them.
- The Foundation, in partnership with the Illinois Department of Natural Resources, provided funding for Schoolyard Habitat Action Grants to 12 Illinois teachers allowing them to complete a wildlife habitat restoration project at their school thereby creating a hands-on learning opportunity for 1,750 students and establishing a permanent outdoor site for future conservation education activities.
- The Foundation was the financial sponsor of the Illinois Wingshooting Program, National Archery in Schools Program, Scholastic Clay Target Program, Becoming an Outdoors Woman Program, Disabled Outdoor Opportunities Program, Safety Education Program, and other events/programs coordinated by the Illinois Department of Natural Resources that collectively introduce thousands of Illinois youth and adults to hunting, fishing, shooting, camping and other outdoor heritage traditions.
- The Foundation provided financial assistance to William Powers State Recreation Area, White Pines State Park and Mattheissen State Park, and assisted several other state parks and conservation areas with privately funded special projects such as preservation of Lorado Taft's "Black Hawk" statue, a federally designated National Historic Landmark located at Lowden State Park.
- The Foundation provided 4,900 boys and girls the opportunity to fish, camp, hunt, shoot or to learn about nature and conservation at the Torstenson Youth Conservation Education Center - a 750-acre natural area and educational facility owned/operated by the Foundation and visited by 8,000-10,000 people every year.