ILLINOIS JOINING FORCES FOUNDATION

FINANCIAL AUDIT

For the Year Ended June 30, 2020

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2020

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Other Reports Issued Under a Separate Cover

The Illinois Joining Forces Foundation’s *Compliance Examination* for the year ended June 30, 2020, has been issued under a separate cover.

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2020

FOUNDATION OFFICIALS

Interim Executive Director (10/01/21 – Present)	Brenda Osuch
Interim Executive Director (08/31/21 – 09/30/21)	Bridget Altenburg
Executive Director (07/01/19 – 08/30/21)	Dr. Stephen Curda

BOARD OFFICERS

Chair of the Board (10/01/19 – Present)	Ms. Erica Borggren
Board Co-Chair (07/01/19 – 09/30/19)	Mr. Steve Goodwin
Board Co-Chair (07/01/19 – 09/30/19)	Mr. Kevin Smith
Vice Chair of the Board (10/01/19 – Present)	Mr. John DeBlasio
Secretary (12/23/20 – Present)	Mr. Matt Schachman
Secretary (11/01/20 – 12/23/20)	VACANT
Secretary (06/01/20 – 10/31/2020)	Mr. Greg Tanacea
Secretary (10/01/19 – 05/31/20)	Mr. Dennis Smith
Secretary (07/01/19 – 09/30/19)	Mr. Paul McConville
Treasurer (10/01/19 – Present)	Rep. Stephanie Kifowit
Treasurer (07/01/19 – 09/30/19)	Mr. John DeBlasio

GOVERNING BOARD MEMBERS[1]

Governor Appointee (02/01/20 – Present)	Ms. Erica Borggren
Governor Appointee (07/01/19 – 01/31/20)	Colonel (Retired) David Leckrone
President of the Senate Appointee (08/28/20 – Present)	Senator Cristina Castro
President of the Senate Appointee (07/01/19 – 8/27/20)	Senator Michael Hastings
Minority Leader of the Senate Appointee (02/01/20 – Present)	Colonel (Retired) David Leckrone
Minority Leader of the Senate Appointee (07/01/19 – 01/31/20)	Senator Dale Righter
Speaker of the House Appointee	Rep. Stephanie Kifowit
Acting Director, Department of Veterans' Affairs (04/01/21 – Present)	Mr. Terry Prince
Interim Director, Department of Veterans' Affairs (01/01/19 – 03/31/21)	Major General Peter Nezamis
Director, Department of Veterans' Affairs (07/01/19 – 12/31/20)	Rep. Linda ChapaLaVia
Minority Leader of the House Appointee	Mr. John De Blasio
Department of Military Affairs Designee	Brigadier General Richard Neely

Department of Military Affairs Designee Rep	Command Sergeant Major Dena Bellowe
Board Member (10/01/19 – 9/30/20)	Mr. Richard Hayes
Board Member (07/01/19 – 10/01/19)	Mr. Jim Hobbins
Board Member (10/01/19 – 01/31/20)	Mr. David Piatek
Board Member (07/01/19 – 09/30/19)	Ms. Roseann Darabaris
Task Force Leader, Material Needs	Brigadier General Patricia Wallace
Task Force Leader, Careers	Mr. Matt Schachman
Task Force Leader, Veterans Programs (01/19/22 – Present)	Ms. Megan Everett
Task Force Leader, Veterans Programs (01/01/22 – 01/18/22)	VACANT
Task Force Leader, Veterans Programs (10/01/19 – 12/31/21)	Mr. Don Cooke
Task Force Leader, Veterans Programs (07/01/19 – 09/30/19)	Ms. Modie Lavin
Task Force Leader, Housing and Homeless (01/19/22 – Present)	Mr. Nick Gross
Task Force Leader, Housing and Homeless (08/29/21 – 01/18/22)	VACANT
Task Force Leader, Housing and Homeless (01/01/20 – 08/28/21)	Mr. John Edelman
Task Force Leader, Housing and Homeless (10/01/19 – 12/30/19)	VACANT
Task Force Leader, Housing and Homeless (07/01/19 – 09/30/19)	Mr. David Piatek
Task Force Leader, Health and Wellness	Mr. John Schwan
Task Force Leader, Women Veterans	Ms. Erica Borggren
Task Force Leader, Families and Survivors	VACANT

FOUNDATION OFFICE

The Foundation's primary administrative office is located at:

211 South Clark Street, Suite 1161
Chicago, Illinois 60604

[1] The individuals identified as "Board Members" did serve as voting members of the Board; however, those positions were not provided for in the Department of Veterans' Affairs Act (20 ILCS 2805/37(d)). (See Finding 2020-003)

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois Joining Forces Foundation (Foundation) was performed by the Office of the Auditor General.

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

SUMMARY OF FINDINGS

The auditors identified four matters involving the Foundation's internal control over financial reporting that they considered to be material weaknesses and a significant deficiency. Further, the auditors identified two noncompliance matters.

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Report	Description	Finding Type
			CURRENT FINDINGS	
2020-001	22	2019/2018	Failure to Present Adequate Financial Statements and Notes	Material Weakness
2020-002	30	2019/2016	Inadequate Internal Control Structure	Material Weakness and Noncompliance
2020-003	33	2019/2019	Inadequate Controls over Board Membership	Material Weakness and Noncompliance
2020-004	36	2019/2016	Lack of Documentation to Substantiate Compliance with Grant Agreements	Significant Deficiency
			PRIOR FINDINGS NOT REPEATED	
A	38	2019/2016	Inadequate Financial Reporting and Controls	Material Weakness and Noncompliance

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Foundation personnel at an exit conference on February 8, 2022.

Attending were:

Illinois Joining Forces Foundation	**Office of the Auditor General**
Brenda Osuch, Interim Executive Director	Jennifer Rankin, Audit Manager
Jim Dolan, Senior Director of Development	Joseph Parochetti, Audit Supervisor
Khalid Qazi, Financial Consultant	Timothy Feltman, Staff Auditor
	Benjamin Toal, Staff Auditor

The responses to the recommendations were provided by Brenda Osuch, Interim Executive Director, in a correspondence dated February 24, 2022.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Joining Forces Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Illinois Joining Forces Foundation (Foundation), which comprise the Statement of Financial Position as of June 30, 2020, and the related Statement of Activities, Statement of Cash Flows, and Statement of Functional Expenses for the year ended June 30, 2020, 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 an opinion 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 adverse audit opinion.

Basis for Adverse Opinion

As described in Finding 2020-001, the Foundation did not present adequate financial statements and related note disclosures in accordance with accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the Unites States of America, the Foundation should ensure all required disclosures are made, properly evaluate its subsequent events, and ensure the financial statements and related note disclosures are accurate and supported. Some of the notable missing disclosures include the following: material related-party transactions, restatement information, liquidity or maturity of assets and liabilities, unusual circumstances such as special borrowing arrangements, aged amounts of accounts receivable, accrued compensated absences, major classes of programs, and methodology for classifying expenses between major categories. The amount of material transactions omitted from the notes to the financial statements totaled $92,000. Effects of other missing disclosures could not be reasonably determined.

Adverse Opinion

In our opinion, because of the significant matters described in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the Foundation as of June 30, 2020, or the changes in financial position, cash flows, and functional expenses thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As noted on the Foundation's Statement of Activities, in Fiscal Year 2020, the Foundation's beginning net assets balance was restated to correct a material misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated February 24, 2022, 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.

SIGNED ORIGNAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
February 24, 2022

ILLINOIS JOINING FORCES FOUNDATION

STATEMENTOF FINANCIAL POSITION 2020

ASSETS:	Without Donor Restricted	With Donor Restricted	TOTAL
Current Assets:			
Cash and cash equivalents	$ 220,083	$ 58,000	$ 278,083
Grant and contract receivable	58,000	-	58,000
Total current assets	278,083	$ 58,000	$ 336,083
Fixed assets - at cost (net of accumulated depreciation and amortization of $6,274)	949	-	949
Total assets	279,032	$ 58,000	$ 337,032
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable and accrued expenses	$ 158,617	$ -	$ 158,617
Note payable - SBA -Current	7,692		7,692
PPP Loan	66,250		66,250
Funds Held for Others	60,979		60,979
Total current liabilities	293,538	-	293,538
Long-term liabilities:			
Note payable - SBA -Non current	146,308		146,308
Total liabilities	439,846	-	439,846
Net assets:			
Without donor resticted net assets	(160,814)	-	(160,814)
With donor resticted net assets	-	58,000	58,000
Total net assets	(160,814)	58,000	(102,814)
Total liabilities and net assets	$ 279,032	$ 58,000	$ 337,032

The accompanying notes are an integral part of the financial statements

ILLINOIS JOINING FORCES FOUNDATION

STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

REVENUE:	Without Donor Restricted	With Donor Restricted	TOTAL
Contributions and Grants	$ 302,054	$ 58,000	$ 360,054
Fundraising	18,262	-	18,262
Less: Direct expenses	(3,199)	-	(3,199)
Interst income	45	-	45
Net assets released from restrictions	125,000	(125,000)	-
Total revenue	$ 442,162	$ (67,000)	$ 375,162
EXPENSES BEFORE DEPRECIATION:			
Program services:			
Statewide Resource Navagation Services	307,539	-	307,539
Total program services:	307,539	-	307,539
Supporting services:			
Management and general	55,427	-	55,427
Fundraising	12,000		
Total supporting services	67,427	-	67,427
Total expenses	374,966	-	374,966
Changes in unrestricted net assets	67,196	(67,000)	196
Net assets, beginning of year	(280,960)	125,000	(155,960)
Prior period adjustment	52,950	-	52,950
Net assets, beginning of year as restated	(228,010)	125,000	(103,010)
Net assets, end of year	$ (160,814)	$ 58,000	$ (102,814)

The accompanying notes are an integral part of the financial statements

ILLINOIS JOINING FORCES FOUNDATION

STATEMENT OF CASH FLOWS
For the year ended June 30, 2020

CASH FLOW FROM OPERATING ACTIVITIES:	
(Decrease) Increase in net assets	$ 196
Adjustments to reconcile increase in net assets to net cash Provided by operating activities:	
Depreciation	1,092
Prior period adjustments	52,950
Increase (Decrease) in operating assets:	
Grant receivable	(58,000)
Increase in accounts payable and accrued expenses	(67,836)
Net cash provided by operating activities	(71,598)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	-
Net cash used by investing activities	-
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on line of credit	(59,994)
Cash proceeds from Note payable - Bank	154,000
Funds Held for others	60,979
PPP loan proceeds	66,250
Net cash used for financing activities	221,235
Net (Decrease) Increase in Cash and Cash Equivalents	149,637
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	128,446
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 278,083
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid for interest	$ 1,115

The accompanying notes are an integral parts of the financial statements

ILLINOIS JOINING FORCES FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020

	Statewide Resource Navigation Services	Total Program Services	Fundraising	Management and General	TOTAL
Salaries and Wages	$ 249,600	$ 249,600	$ -	$ 26,000	275,600
Payroll taxes and benefits	19,094	19,094	-	1,989	21,083
	268,694	268,694	-	27,989	296,683
Ofice Supplies & Expense	744	744		-	744
Telecommunications	2,395	-		-	2,395
Consultants	16,500	16,500	12,000	-	28,500
Occupancy	11,948	11,948		-	11,948
Interest expense	-	-		1,115	1,115
Insurance	-	-		1,682	1,682
Professional fees	-	-		21,758	21,758
Dues and subscription	-	-		15	15
Printing and Copying	-	-		180	180
Postage and delivery	-	-		-	-
Bank charges	-	-		1,596	1,596
Travel and Meals	4,758	4,758		-	4,758
Web site development	2,500	2,500		-	2,500
Total expenses before depreciation	307,539	307,539	12,000	54,335	373,874
Depreciation expense	-	-	-	1,092	1,092
TOTAL FUNCTIONAL EXPENS	$ 307,539	$ 307,539	$ 12,000	$ 55,427	$ 374,966

The accompanying notes are an integral part of the financial statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Activities

Illinois Joining Forces Foundation (IJFF) is a statewide, public-private network of veteran and military serving organizations, it was incorporated in 2012 in Illinois. It collaborates in person and online to help service members, veterans, and their families identify and marshal resources and services available to them throughout the state.

(b) Significant Accounting Policies

IJFF prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for NFPs. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

IJFF prepares its financial statements using the accrual basis of accountings and accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the IJFF's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. IJFF's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

NOTE 1- OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's restrictions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with don or restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Fair Value Measurements

The organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The value of all of the Organization's assets and liabilities which are required to be carried at fair value are valued at quoted prices in active markets for identical assets and liabilities and therefore, considered Level I assets and liabilities.

Tax Status

The Organization is incorporated exempt from federal income taxation under Section 501(c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

NOTE 1- OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than a year are recorded at fair value at the date of promise. That fair value is computed using technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is a management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Land, Buildings, and Equipment

Land, buildings and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of $500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computers	3 years
Furniture and fixtures	5 years

Land, building and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

NOTE 1- OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Revenue Recognition

IJFF recognizes contract revenue from its contracts either on a pro-rata basis over a 12-month period, which represents the service period for certain contracts, or to the extent of expenses. Revenue recognition depends on the contract. The funding agencies may at their discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of the grants/contracts.

Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Gifts –in-kind Contributions

The organization receives contributions in a form other than cash or investments. Most are donated supplies, which are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the organization's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

The organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services n the organization's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

NOTE 1- OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, depreciation, and amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and internet services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Subsequent Events

Subsequent events have been evaluated through February 22, 2020, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. In January 2021 before issuance of our audit report SBA forgive $4,000 of loan out of $154,000 to match with their note for $150,000.

NOTE 2 – CASH AND CASH EQUIVALENT

As of June 30, 2020 cash and cash equivalent consist of the following:

Checking Accounts	$278,083
Petty cash	-

	$278,083
	========

IJFF maintains its cash balances in a financial institution located in Carol Stream, Illinois. The balance at the institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The uninsured balance in one financial institution was $28,083.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 are:

Financial assets:	
Cash and cash equivalents	$278,083
Grants and contracts receivable	58,000
Total financial assets	336,083
Less: financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (note 5)	-
Time restricted net assets	(58,000)
Amount available for general expenditures within one year	$278,083

NOTE 4 – FIXED ASSETS

As of June 30, 2020 fixed assets consists of the following:

Furniture and equipment	$ 7,222
Less: Accumulated Depreciation	6,273
	$ 949

NOTE 5 - WITH DONOR RESTRICTED NET ASSETS

At December 31, 2020 net assets with donor restrictions are available for the following purposes or periods:

Purpose restrictions, available for spending:	
Statewide Resource Navagation Services	$ -
Time restrictions:	
Contributions received, which are unavailable for spending until due	58,000
	$58,000

NOTE 6 – LINE OF CREDIT

The Organization has a line of credit of $60,000 with Bridgeview Bank is secured by substantially all the assets of the Organization. Interest is payable monthly at the prime rate of 5 percent. At June 30, 2020, net borrowing on the line of credit was ($5). During fiscal year 2020 IJFF refunded $60,000.

NOTE 7 – CONCENTRATIONS OF RISK

A significant portion, approximately 78%, of the organization's annual funding comes from the Robert R. McCormic Foundation. The majority of the organization's contributions and grants are received from corporations, foundations, and agencies of the state of Illinois. As such, the organization's ability to generate resources via contributions and grants is depended upon the economic health of that area and the state of Illinois.

NOTE 8 – NOTE PAYABLE – BANK

On June 16, 2020, IJFF borrowed $154,000 from U.S. Small Business Administration (Secured Disaster Loans). IJFF may repay the Note in part or full at any time, without notice or penalty. Annual interest rate of 2.75%, payable in Monthly principal and interest payments of $641 beginning twelve (12) months from the date of Note. All remaining principal and accrued interest is due and payable Thirty (30) years from the Date of the Note.

The following is a schedule of future monthly payments of Principal and interest:

Year ending June 30:	
2021	$ 7,692
2022	7,692
2023	7,692
2024	7,692
2025	7,692
Thereafter	192,300
Total Payments	$230,760
Less: representing Interest	76,760
Note payable	$154,000

NOTE 9 - RELATED PARTY TRANSACTIONS

During fiscal year 2020, IJFF received a contribution of $75,000 from Vice Chairperson of IJFF. He is also a founder and CEO of Global Peace and Development Charitable Trust, acts as CEO for Clear Automation and serves as the founding and Co-Managing Director for Bootstap Capital.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

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

and

Board of Directors
Illinois Joining Forces Foundation

Report on the Financial Statements

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 Illinois Joining Forces Foundation, which comprise the Statement of Financial Position as of June 30, 2020, and the related Statement of Activities, Statement of Functional Expenses, and Statement of Cash Flows for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and we have issued our report thereon dated February 24, 2022.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2020-002 and 2020-003.

Internal Control Over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the Foundation's 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 have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2020-001 through 2020-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings as item 2020-004 to be a significant deficiency.

Foundation's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGNAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
February 24, 2022

2020-001. **FINDING** (Failure to Present Adequate Financial Statements and Notes)

The Illinois Joining Forces Foundation (Foundation) did not present adequate financial statements and related note disclosures for Fiscal Year 2020.

We noted the following instances where the Foundation did not present the financial statements and related note disclosures in accordance with the *Financial Accounting Standards Board* (FASB) *Accounting Standards Codification* (ASC):

- The Foundation did not disclose all of its material related-party transactions for Fiscal Year 2020. The Foundation received and failed to disclose donations totaling $92,000 from one of its board members during Fiscal Year 2020.

FASB ASC 850-10-20 defines related parties as including management of the entity and members of their immediate families. FASB ASC 850-10-20 further indicates management normally includes members of the board of directors, the chief executive officer, and chief operating officer. FASB ASC 850-10-50-1 requires the Foundation to disclose all material related party transactions, other than items in the ordinary course of business, within the notes to the financial statements. The disclosure shall include the nature of the relationship(s) involved, a description of the transactions, the dollar amounts of the transactions, and amounts due to or from a related party and the terms and manner of the settlement, unless otherwise apparent.

- The Foundation did not disclose required information in the notes to the financial statements regarding the restatement of its beginning balance for net assets.

FASB ASC 250-10-50-7 requires the Foundation to disclose that its previously issued financial statements have been restated, along with a description of the nature of the error. Further, FASB ASC 250-10-50-9 requires the Foundation to disclose the effects the restatement has on the balance of net assets at the beginning of the period and on the change in net assets of the immediately preceding period.

- The Foundation did not disclose relevant information about the liquidity or maturity of assets and liabilities, including restrictions (including self-imposed limits) on the use of particular items. Specifically, the Foundation's loan from the U.S. Small Business Administration's Paycheck Protection Program (PPP), classified as a current liability, needs additional disclosures, including relevant information about the liability including the maturity date, terms of the loan, and interest rate.

FASB ASC 958-210-50-1 requires the Foundation to disclose in its notes to the financial statements relevant information about the liquidity or maturity of assets and liabilities, including restrictions and self-imposed limits on the use of particular items.

- The Foundation did not disclose information that describes how the organization manages its liquid resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position.

FASB ASC 958-210-50-1A requires the Foundation to disclose qualitative information in the notes to the financial statements that is useful in assessing an entity's liquidity and that communicates how a not for profit manages its liquid resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position.

- The Foundation did not disclose unusual circumstances such as special borrowing arrangements or known liquidity problems and significant limits resulting from contractual agreements with suppliers, creditors, and others (for example, loan covenants). This would be applicable for the "PPP loan" and "Note Payable – SBA" line items presented on the statement of financial position.

FASB ASC 958-210-50-2 requires the Foundation to disclose in the notes to the financial statements unusual circumstances such as special borrowing arrangements or known significant liquidity problems and significant limits resulting from contractual agreements with suppliers, creditors, and others, including the existence of loan covenants.

- The Foundation did not separate all significant categories of receivables presented in the statement of financial position (for example, grants receivable and contributions receivable). Grants and contracts receivable should be separate line items in the statement of financial position; however, we determined the entire balance is for a contribution receivable and that the grants should be removed from the line item description. Further, receivable balances from related parties are to be reported under a separate line item that clearly segregates the receivables from other line items. The receivable balance of $58,000 is comprised of one receivable due from a board member. In addition, this receivable was not clearly labeled as due from a related party.

FASB ASC 310-10-50-3 requires the Foundation to disclose major categories of loans or trade receivables that are not presented separately in the statement of financial position to be disclosed separately in the notes to the financial statements. Further, FASB ASC 310-10-45-13 requires the Foundation to separately show receivables from related parties and not include related party receivables under a general heading such as contributions receivable.

- The Foundation did not disclose the aged amounts of accounts receivable. Additionally, the Foundation did not disclose its allowance for uncollectible receivables.

FASB ASC 958-310-50-1 requires the Foundation to disclose the amounts of accounts receivable in increments of less than one year, in one to five years, and in more than five years. FASB ASC 958-310-50-1 further requires the Foundation to disclose the amount of allowance for uncollectible receivables.

- The Foundation did not disclose that it did not accrue compensated absences because the amount cannot be reasonably estimated.

FASB ASC 710-10-25-1 requires the Foundation to accrue a liability for employees' compensation for future absences. Further, FASB ASC 710-10-50-1 states if the Foundation does not accrue a liability for employees' absences due to the Foundation not being able to reasonably estimate the amount, that fact shall be disclosed.

- The Foundation did not disclose the description of the organization's activities, including a description of each of its major classes of programs (such as Statewide Resource Navigation Services).

FASB ASC 958-205-50-1 requires the Foundation to provide a description of the nature of its activities, including a description of each of its major classes of programs either on the statement of activities or within the notes to financial statements.

- The Foundation did not disclose the adoption of Accounting Standards Update (ASU) 2018-08, including the nature and reason for the change in accounting principle. ASU 2018-08 updates the accounting for revenue recognition based on conditional or unconditional promises to give, or exchange-like transactions. Even if the Foundation does not have exchange-like transactions or conditional promises to give in Fiscal Year 2020, its accounting policy should include this to reflect this change in revenue recognition. When a change has no material effect in the change period, but it is reasonably certain to have a material effect in later period, this disclosure is required whenever the financial statements of the change period are presented. It is reasonable to believe that in the future the Foundation may receive conditional promises to give.

FASB ASC 250-10-50-1 requires the Foundation to disclose a change in accounting principle during the fiscal period in which the accounting change is made, including the nature and reason for the change in accounting principle.

- The Foundation did not make the appropriate note disclosure regarding the transfer of financial assets with Operation Her Story, where the Foundation acts as an intermediary or other recipient entity by accepting cash from donors on behalf of Operation Her Story.

FASB ASC 860-10-50-6 requires the Foundation to disclose the Foundation's risk exposure related to transferred financial assets and any restrictions on the assets.

- The Foundation's description of its methodology for classifying expenses between its major categories is not accurate. The notes to the financial statements indicate occupancy, depreciation, amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space. However, on the statement of functional expenses occupancy expense is allocated to statewide resource navigation services and depreciation expense is allocated to management and general.

FASB ASC 958-220-50-1 requires the Foundation to disclose a description of its methods used to allocate costs among program and support functions. Further, good business practices require a proper internal control structure to be established, including proper levels of monitoring and reviews, to help ensure the accuracy and reliability of accounting data and information presented in the financial statements and related notes.

- The Foundation did not properly evaluate its subsequent events. The Foundation evaluated its subsequent events as of February 22, 2020, prior to the financial statements being issued or available to be issued.

FASB ASC 855-10-50-1 requires the Foundation to disclose the date through which subsequent events have been evaluated and whether that date is either the date the financial statements were issued or the date the financial statements were available to be issued. Further, good business practices require a proper internal control structure to be established, including proper levels of monitoring and reviews, to help ensure the accuracy and reliability of accounting data and information presented in the financial statements and related notes.

- The Foundation did not disclose its principal services performed or its main sources of revenue that fund its programs. There is a general description in the nature of activities in Note 1; however, it does not state what its principal services are (i.e. what resources and services are provided). This should align with the Foundation's enabling legislation.

FASB ASC 275-10-50-2 requires the Foundation to include a description of the principal services performed and the revenue sources for the Foundation's services. Further, FASB ASC 275-10-55-3 provides guidance indicating this note disclosure should provide information necessary for users not familiar with the operations of the Foundation to identify and consider the broad risks and uncertainties associated with the businesses and markets in which it operates and competes.

- The Foundation did not disclose concentrations of risk and the general nature of the risk associated with each concentration, including concentrations with two particular donors or revenue from particular fundraising events.

FASB ASC 275-10-50-16 and 275-10-50-18 requires the Foundation to disclose concentration risks for the volume of business transacted with a particular customer, grantor, or contributor and concentrations in revenue from particular products, services, or fund-raising events. Specifically the disclosure should include the potential for the severe impact that can result from total or partial loss of the business relationship and volume or price changes, respectively.

We noted the following instances where the Foundation did not present the financial statements and related note disclosures in accordance with sources such as practices that are widely recognized and prevalent, either generally or in the industry, including good business practices:

- The Foundation's financial statements and related note disclosures have errors such as inaccurate account balances and errors in classifications of accounts:

    - On the statement of financial position, the Foundation classified $58,000 as "With Donor Restricted" on the "Cash and cash equivalents" line and $58,000 as "Without Donor Restricted" on the "Grant and contract receivable" line. We noted the $58,000 in cash and cash equivalents should be recorded as without donor restrictions and the $58,000 in receivables should be with donor restrictions. Due to this error, these accounts are improperly classified.

    - On the statement of functional expenses, the balance of $744 reported as "office supplies and expenses" was improperly classified when compared to underlying information in the general ledger which indicates the expense was not related to office supplies or office expenses.

    - The Foundation's Note 1 (Operations and Summary of Significant Accounting Policies) regarding its accounting policies for valuing its contributions receivable/unconditional promises to give does not accurately reflect the actual procedures carried out by the Foundation.

  - The Foundation's Note 3 (Liquidity and Availability) and Note 5 (With Donor Restricted Net Assets) are both dated December 31, 2020; however, these disclosures should agree to the reported financial statements dated June 30, 2020. The disclosures themselves agree to the financial statements; hence, the date is not accurate.

- The Foundation disclosed in Note 6 (Line of Credit) a net borrowing on its line of credit to be ($5); however, the Foundation paid the line of credit in full, closing the line of credit prior to June 30, 2020. Hence, the Foundation no longer has this line of credit and the disclosure should be omitted. In addition, the Foundation disclosed an interest rate of 5% in the Note 6; however, we noted the terms of the line of credit agreement indicated a variable rate of interest. The variable rate ranged from 5.5% to 7.25% during the examination period and was 5.5% as of June 30, 2020.

- The Foundation did not properly present the following line items in the statement of cash flows:

  - "Grant receivable" should state "increase in grant receivable" to clearly indicate the effect on the statement of cash flows.

  - "Increase in accounts payable and accrued expenses" should state "decrease in accounts payable and accrued expenses" to clearly indicate the effect on the statement of cash flows.

- The Foundation did not present a mathematically accurate statement of activities or statement of functional expenses where the balances foot and cross foot properly:

  - On the statement of activities, the "fundraising" line, "total" column omitted $12,000 in fundraising expenses. While the total is missing from the total column, it was included by the Foundation in the subtotal "total supporting services."

  - On the statement of functional expenses, the "telecommunications" line, "total program services" column omitted $2,395 in telecommunication expenses. While the total is missing from the total column, it was included by the Foundation in the subtotal "total expenses before depreciation."

- The Foundation's financial statements and note disclosures were presented with errors in spelling, punctuation, grammar, capitalization, and overall appearance.

- The Foundation did not present all concentrations of risk in Note 7 (Concentrations of Risk). Due to this omission, Note 7 is incomplete. In addition, Note 7 is inaccurate due to the concentration of risk percentages not agreeing to the auditor recalculation based on the underlying accounting records. We noted two contributors who, together, contributed 78% of the Foundation's revenue. The Foundation also stated in Note 7 that it receives contributions from agencies of the State of Illinois; however, this statement does not agree to supporting documentation, and should be omitted from the disclosure unless such transactions between the Foundation and the State of Illinois occur.

- The Foundation recorded the Small Business Administration loan as $154,000; however, the loan appears to be for $150,000. While the Foundation did receive $154,000 total from the U.S. Small Business Administration, $4,000 of that total amount was received two months prior to the $150,000 loan and was not included in the terms of the $150,000 loan agreement. The Foundation was unable to provide support for the $4,000 receipt from the U.S. Small Business Administration; hence, we are unable to determine the correct classification of the $4,000 on the statement of financial position. Due to this error, the schedule of future monthly payments to the Small Business Administration does not agree to the loan agreement which states the first payment is due twelve months from the date of the note. We noted the current and noncurrent portions of the "note payable – SBA" reported on the statement of financial position is inaccurate. The Foundation reported a current liability of $7,692 instead of $641 plus the portion of the $4,000 receipt that was a current liability, if any. The noncurrent portion would change in relation to the current portion change.

Good business practices require a proper internal control structure to be established, including proper levels of monitoring and reviews, to help ensure the accuracy and reliability of accounting data and information presented in the financial statements and related notes.

The financial statements and related note disclosures were not corrected to fix the errors noted throughout this finding. Further, the Foundation was first cited for presenting inadequate financial statements and related note disclosures during the financial audit for the two years ended June 30, 2018. In the years since the finding was first noted, the Foundation has not been successful in correcting this finding.

During the previous examination, Foundation management indicated a lack of communication between Foundation management and the independent fiscal agent and staff led to the inadequate financial statement presentation and related note disclosure inadequacies. During the current examination, Foundation management indicated the inadequate financial statement presentation and related note disclosure inadequacies were due to lack of management review and unfamiliarity with the requirements.

Failure to prepare complete and accurate financial statements and related note disclosures based on FASB ASC and practices that are widely recognized and prevalent, either generally or in the industry, including good business practices hinders the usefulness and reliability of the Foundation's basic financial statements. (Finding Code No. 2020-001, 2019-002, 2018-002)

RECOMMENDATION

We recommend the Foundation utilize professional tools, such as checklists, to improve the completeness and quality of its financial statements and related note disclosures. Additionally, we recommend the Foundation develop and consistently apply a method for classifying and allocating expenses on its statement of functional expenses.

FOUNDATION RESPONSE

We agree with the findings. Illinois Joining Forces agrees with the recommendations of the audit team to correct these findings moving forward. Please note that the reflection of changes resulting from these audit findings will not be fully reflected until Fiscal Year 2023 as Illinois Joining Forces has completed the Fiscal Year 2021 and is more than 50% through Fiscal Year 2022 audit years.

2020-002. **FINDING** (Inadequate Internal Control Structure)

The personnel of the Illinois Joining Forces Foundation (Foundation) did not adhere to the Foundation's bylaws and/or internal policies, which constituted the Foundation's internal control structure. In addition, discrepancies existed between the Foundation's bylaws and internal policies.

We noted the following discrepancies during testing:

- The Foundation did not maintain adequate control or have formal policies in place over personnel records and payroll to minimize the risk of payroll errors through miscommunication and/or lack of documentation, as described below:
  - The Foundation did not compute employee payroll deductions correctly for the following disbursements selected for detail testing. For 23 of 23 (100%) payroll transactions tested, totaling $269,612, the amount withheld for State and Federal Taxes were not accurately computed for 4 of 7 employees (57%) tested. The Foundation over withheld an absolute total of $5,392.
  - The Foundation does not have a system or process in place to track employee attendance.
  - Payroll is automatically processed in full on a bi-weekly basis. The Foundation does not have adequate review and communication procedures to ensure any necessary payroll changes would be caught and adjusted timely.
  - Employee requests for time off are not formally documented.
- For 1 of 30 (3%) disbursements tested, totaling $555, the Foundation was unable to provide support to show approval for the disbursement.
- The Foundation was unable to provide 4 signed contractual agreements requested, pertaining to 4 of 30 (13%) disbursements tested totaling $11,893.
- The Foundation has inconsistencies between its bylaws and its internal Financial Controls Policy. The bylaws require dual approval from both the Board's treasurer and another Board member for expenses over $5,000. However, the Financial Controls Policy limits the Executive Director's expenditure authority to disbursements of up to $1,000 and requires dual approval for all expenses exceeding $1,000. Per discussion with the chair of the Board, the Executive Director was later given the ability to approve expenditures of up to $5,000; however, written documentation of this change to the Financial Controls Policy was not provided to the auditors, and we could

not positively determine when this change had taken effect. As a result, we were unable to determine whether transactions were properly approved.

- Bank reconciliations were performed by the Foundation's independent fiscal agent. The reconciliations were not signed or dated by a reviewer of the reconciliation. As a result, we were unable to determine the timeliness of the Foundation's review of the reconciliation, if a proper segregation of duties was maintained over the bank reconciliation process, and whether fiscal agent staff as well as Foundation personnel were involved in the process. Despite the involvement of the independent fiscal agent, we maintain Foundation personnel and/or Board members should be actively engaged in the ongoing review of all financial records, including bank reconciliations.

The Foundation's Financial Controls Policy requires the treasurer be involved in the Foundation's bank reconciliation process and regularly monitor its bank account and financial records.

Good business practices require a proper internal control structure be established to help safeguard assets, ensure the collection of revenues, prevent improper expenditures, ensure the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to legal requirements and prescribed management policies.

The Foundation was first cited for maintaining an inadequate control structure during the financial audit for the year ended June 30, 2016. In the years since the finding was first noted, the Foundation has not been successful in correcting this finding.

During the previous and current engagements, Foundation personnel indicated a lack of communication inhibited efforts to monitor and document fiscal and daily operations and implement new and updated policies. In addition, supporting documentation deficiencies resulted from the misplacing of or failure to retain documents by staff.

Failure to adhere to the Foundation's internal control structure, including both the bylaws and internal policy, makes the Foundation vulnerable to numerous risks, including but not limited to, failure to meet objectives, inaccurate financial records, and fraud. (Finding Code No. 2020-002, 2019-003, 2018-003, 2016-002)

RECOMMENDATION

We recommend the Foundation's management and Board meet and agree on specific internal control objectives, policies, and practices. We recommend Board members and management formally develop and update written policies and procedures to facilitate the Foundation's operations. Board members and management should perform and document ongoing reviews of financial records and activities, including contracts and bank reconciliations, to ensure objectives, policies, and practices are being adhered to closely.

FOUNDATION RESPONSE

We agree with the finding and recommendations for correction. Please note that reflection of changes resulting from these audit findings will not be fully reflected until Fiscal Year 2023 as Illinois Joining Forces has completed the Fiscal Year 2021 and is more than 50% through the Fiscal Year 2022 audit years.

2020-003. **FINDING** (Inadequate Controls over Board Membership)

The Illinois Joining Forces Foundation (Foundation) failed to maintain adequate controls over its Board of Directors (Board) and did not take certain actions required by its bylaws.

The Foundation did not monitor and document compliance with statutory term limits for its Board members. During testing of statutory Board requirements, we noted the following:

- The Foundation did not document the appointment or start date for one Board member's term. As a result, we were unable to determine if the member was serving on an expired term.

- Two Board members were serving on expired terms. The Board members had served 1,177 and 1,394 days beyond each individual's term expiration as of June 30, 2020.

The Department of Veterans' Affairs Act (Act) (20 ILCS 2805/37(d)) limits Board members to two-year terms. Further, section 3.04 of the Foundation's bylaws allow the terms of Board members to be extended until a successor has been elected, but limits Board members from serving more than three consecutive terms.

The Foundation's planning and organizational documents were not updated during Fiscal Year 2020. As a result, these documents continued to contain inconsistencies regarding descriptions of the Foundation's executive committee, working groups, and task forces and did not accurately reflect the Foundation's current operational model, which focuses on fulfilling its mission using a veteran service community development and outreach initiative. Specifically, we noted the following:

- The Foundation's currently adopted Board composition is not consistent with the Act. The Foundation adopted a 7-7-7 model: 7 mandated members, 7 task force leaders, and 7 civic members. The Foundation did not ensure its bylaws or the Act (20 ILCS 2805/37(d)) was updated to reflect the changes to its Board composition.

    - Upon testing the Foundation's Board against the Foundation's adopted model, we noted 6 of 21 (29%) Board positions were vacant as of June 30, 2020. This included 1 task force leader and 5 civic leaders.

Good business practices require a periodic update of internal planning and organizational documents to promote operational efficiency and encourage adherence to legal requirements and prescribed management policies. The Act (20 ILCS 2805/37(d)) requires the Foundation's Board consist of one member each appointed by the Governor, the President of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, the Minority Leader of the House of

Representatives, the Director of Veterans' Affairs, a senior member of the management of the Department of Military Affairs as designated by the Adjutant General, and all of the members of the Illinois Joining Forces Executive Committee appointed by the Director of Veterans' Affairs. Additionally, the Act (20 ILCS 2805/37(e)) requires the Foundation to operation within the provisions of the General Not for Profit Act of 1986. The General Not for Profit Corporation Act of 1986 (805 ILCS 105/108.10(a)) states the Foundation's Board shall be fixed by the bylaws, which may be increased or decreased by an amendment to the bylaws. The Foundation's bylaws included the same composition requirements as the Act.

During testing of Board meetings, we noted the Foundation failed to retain and provide meeting minute documentation for 1 of 5 (20%) open Board meetings tested, nor did the Foundation post any of the Board's open meeting minutes to its website as required.

Section 3.07 of the Foundation's bylaws requires all meetings of the Board to be held in accordance with the Open Meetings Act (5 ILCS 120). The Open Meetings Act (5 ILCS 120/2.06(a)) requires written minutes of all Board meetings to be retained, whether open or closed. Additionally, the Open Meetings Act (5 ILCS 102/2.06(b)) requires the Foundation to post the minutes of its open meeting minutes to its website within 10 days after the approval of the minutes.

During the previous engagement, the Foundation's management indicated these issues were caused by a lack of staff and management turnover. During the current engagement the Foundation's management indicated the issues with regards to the Board Member's appointments, terms, and vacancies were due to competing priorities of the responsible party. Additionally, the Foundation's management indicated they were seeking legislation change with regards to the Board's composition requirements. Finally for the issues regarding meeting minutes, the Foundation's management indicated these issues were caused by employee error.

Failure to adequately account for the Foundation's Board membership (i.e. member appointments, terms, and vacancies), failure to update the bylaws to reflect composition changes, and failure to retain minutes of Board meeting and post records of open meeting minutes on the Foundation's website represents noncompliance with State law and the Foundation's bylaws, can create confusion and inefficiencies, and hinders the General Assembly's ability to fix the membership of the Board of Directors. (Finding Code No. 2020-003, 2019-005)

RECOMMENDATION

We recommend the Foundation ensure all Board member information, including but not limited to appointments, terms, and periods of vacancies, is consistently monitored and accounted for. Also, we recommend the Foundation periodically review and update its planning and organizational documents to properly reflect its operations; specifically, by amending its bylaws and continuing to seek legislative change to the Department of Veterans' Affairs Act in order to reflect changes in the Board's structure. Further, we recommend the Foundation maintain record of all meetings and post meeting minutes to its website in accordance with the Foundation's bylaws and State law.

FOUNDATION RESPONSE

We agree with the findings. Illinois Joining Forces agrees with the recommendations of the audit team to correct these findings moving forward. Please note that the reflection of changes resulting from these audit findings will not be fully reflected until Fiscal Year 2023 as Illinois Joining Forces has completed the Fiscal Year 2021 and is more than 50% through Fiscal Year 2022 audit years.

2020-004. **FINDING** (Lack of Documentation to Substantiate Compliance with Grant Agreements)

The Illinois Joining Forces Foundation (Foundation) failed to retain documentation and records to substantiate compliance with grant agreements.

During testing, we noted for one of three (33%) grants selected for testing, totaling $125,000 in Fiscal Year 2020 receivables, the Foundation was able to provide a signed grant agreement; however, the Foundation was unable to provide further documentation to substantiate compliance with the provision of the grant agreement requiring the Foundation to submit a progress report no later than October 14, 2019.

Good business practices require the Foundation to ensure the terms of all grants, contracts, and binding agreements are complied with.

The Foundation was first cited for lack of documentation to substantiate compliance with grant agreements during the financial audit for the year ended June 30, 2016. In the years since the finding was first noted, the Foundation has made significant improvements to substantiate compliance with grant agreements; however, has not been successful in correcting this finding.

During the previous and current engagement, Foundation personnel indicated the lack of documentation was due to the Foundation being regularly engaged with its donors, providing weekly and monthly updates. Foundation personnel felt this level of communication with donors was adequate and reduced the need for formal compliance documentation.

A lack of detailed documents and records to substantiate compliance with grant agreement terms and conditions could lead to the misuse of funds and/or require the repayment of funds to the grantor. (Finding Code No. 2020-004, 2019-004, 2018-004, 2016-003)

RECOMMENDATION

We recommend the Foundation ensure full records are maintained for each grant received, including any progress reports or other information required to be submitted to the grantor. Further, we recommend the Foundation's management and Board of Directors perform ongoing reviews to ensure all terms and conditions within its grant agreements are complied with by the Foundation.

FOUNDATION RESPONSE

We agree with the finding and recommendation for correction moving forward. Please note that reflection of changes resulting from these audit findings will not be fully reflected until Fiscal Year 2023 as Illinois Joining Forces has completed the Fiscal Year 2021 and is more than 50% through the Fiscal Year 2022 audit years.

A. **FINDING** (Inadequate Financial Reporting and Controls)

During the prior examination, we noted the Foundation did not maintain adequate documentation and records to facilitate accurate and proper financial reporting. Specifically, we noted the Foundation accounted for revenue on a cash basis instead of the accrual basis, failed to record liabilities and expenses in the proper period, did not maintain supporting documentation for disbursements or receipts, and other financial reporting deficiencies.

During the current examination, our testing indicated the Foundation accounted for revenue on an accrual basis, recorded liabilities and expenses in the proper period, maintained supporting documentation for disbursements and receipts, and corrected the other financial reporting deficiencies. (Finding Code No. 2019-001, 2018-001, 2016-001)