

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

FINANCIAL AUDIT
For the Year Ended June 30, 2019

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

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
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Other Reports Issued Under a Separate Cover

The Illinois Conservation Foundation's *Compliance Examination* for the year ended June 30, 2019, has been issued under a separate cover.

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FOUNDATION OFFICIALS

Executive Director (effective 08/01/19)	Crystal Curfman
Executive Director (until 07/31/19)	Eric Schenck
Chief Operating Officer (01/01/19 – present)	Steve Ettinger

Members of the Illinois Conservation Foundation Board of Directors were as follows:

Chairman (effective 03/04/19)	Colleen Callahan
Chairman (until 03/03/19)	Wayne Rosenthal
Member - Secretary	Ryan Anderson
Member - Treasurer	Barbara Johnson
Member	Andrew Katlin
Member	William Cullerton Jr.
Member	Mike Ruffolo
Member	Diane Schneider
Member	Tom Bennett
Member	Trip Banks
Member	Mike Hillstrom
Member	Kenneth Polhamus
Member	Robert Russell
Member	<i>Vacant</i>

Committees as of June 30, 2019, were as follows:

Executive and Strategic Planning Committee

William Cullerton Jr. – Chairman
Barbara Johnson
Mike Hillstrom
Ryan Anderson
Diane Schneider
Tom Bennett

Finance Committee

Barbara Johnson – Chairman
Robert Russell
Andrew Katlin
Tom Bennett
Mike Ruffolo

Marketing Committee

Mike Hillstrom – Chairman
Diane Schneider
Kenneth Polhamus
Robert Russell
Trip Banks
Mike Ruffolo

Torstenson Youth Center Committee

Ryan Anderson – Chairman
Kenneth Polhamus
Andrew Katlin
William Cullerton Jr.
Trip Banks

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FOUNDATION OFFICIALS

The Foundation operates an 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

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

SUMMARY OF FINDINGS

The auditors identified a matter involving the Foundation’s internal control over financial reporting that they considered to be a material weakness and a material noncompliance. Further, the auditors identified a significant deficiency and a noncompliance matter.

<u>Item No.</u>	<u>Page</u>	<u>Last Reported</u>	<u>Description</u>	<u>Finding Type</u>
CURRENT FINDING				
2019-001	33	New	Weaknesses over Receipts and Expenditures	Material Weakness and Material Noncompliance
2019-002	35	New	Inadequate Controls over Capital Assets	Significant Deficiency and Noncompliance
PRIOR FINDING NOT REPEATED				
A	37	2018	Financial Statement Preparation – Merchandise Held for Sale	

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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with the Foundation personnel at an exit conference on January 10, 2020.

Attending were:

Illinois Conservation Foundation

Crystal Curfman, Executive Director
Steve Ettinger, Chief Operating Officer

Illinois Office of the Auditor General

Jennifer Rankin, Manager

E.C. Ortiz & Co., LLP

Marites Sy, Partner

The responses to the recommendations were provided by Crystal Curfman, Executive Director, in a correspondence dated January 13, 2020.



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

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, 2019, 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 of the Foundation, as of June 30, 2019, 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 Discussion and Analysis on pages 8-11 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020, 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 ORIGINAL ON FILE

Chicago, Illinois
January 13, 2020

ILLINOIS CONSERVATION FOUNDATION
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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, 2019. 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 Foundations total assets exceeded its liability by \$6,955,093 (net position). Of this amount, \$1,763,334 is unrestricted and maybe utilized to meet the Foundation's ongoing programs and activities.

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.

The 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.

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MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)

Condensed Comparative Summary of Net Position as of June 30,

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Other assets	\$ 2,490,085	\$ 2,405,878	\$ 84,207
Capital assets	4,510,701	4,581,145	(70,444)
Total Assets	<u>7,000,786</u>	<u>6,987,023</u>	<u>13,763</u>
Current liabilities	45,693	41,137	4,556
Noncurrent liabilities	-	1,722	(1,722)
Total Liabilities	<u>45,693</u>	<u>42,859</u>	<u>2,834</u>
Restricted	681,058	198,348	482,710
Unrestricted	1,763,334	2,164,671	(401,337)
Investment in capital assets	4,510,701	4,581,145	(70,444)
Total Net Position	<u>\$ 6,955,093</u>	<u>\$ 6,944,164</u>	<u>\$ 10,929</u>

Condensed Comparative Statement of Activities for the Year Ending June 30,

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Program Revenues:			
Charges for goods and services	\$ 23,860	\$ 23,347	\$ 513
Operating grants and contributions	970,220	811,069	159,151
General Revenues:			
Investment earnings	42,349	175,277	(132,928)
Total Revenues	<u>1,036,429</u>	<u>1,009,693</u>	<u>26,736</u>
Expenses:			
General and administrative	389,314	332,283	57,031
Natural resources and recreation	636,186	537,551	98,635
Total Expenses	<u>1,025,500</u>	<u>869,834</u>	<u>155,666</u>
Change in Net Position	10,929	139,859	(128,930)
Net Position, Beginning	6,944,164	6,804,305	139,859
Net Position, Ending	<u>\$ 6,955,093</u>	<u>\$ 6,944,164</u>	<u>\$ 10,929</u>

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MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)

Overall, the financial position and results of operation has remained stable during the year. The net effect of the unrealized losses on the Foundations investments, increases in expenses, and increase in private grants and donations to support the Blackhawk Statue restoration project resulted in lower changes in net position during the year as compared to the prior fiscal year.

Analysis of Individual Funds

Within the Special Revenue Fund, revenues increased by \$26,942 from \$996,096 in Fiscal Year 2018 to \$1,023,038 in Fiscal Year 2019. Expenditures increased by \$122,728 from \$833,900 in Fiscal Year 2018 to \$956,628 in Fiscal Year 2019. The increase in revenues is primarily due to an increase in donations during the fiscal year to support the Black Hawk Statue restoration project. Expenditures increased during the fiscal year due to the various repairs at Torstenson Farm, increase in professional services, and on-behalf payments.

Within the Permanent Fund, revenues of \$13,391 were comparable to Fiscal Year 2018 of \$13,597.

At June 30, 2019, the Foundation's governmental funds reported a combined ending fund balances of \$2,444,392, an increase \$79,651 from the prior year combined fund balances of \$2,364,741.

Approximately 72% 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. 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, 2019 and June 30, 2018, were \$4,510,701 and \$4,581,145, respectively. Current year depreciation expense caused the net book value of capital assets to decrease for the fiscal year ended June 30, 2019.

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MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)

Other Events

During Fiscal Year 2019, the Foundation experienced increased in donations and grants from private organizations to support the Foundation and the IDNR's plan to restore the Black Hawk Statue, a national historic landmark, in Lowden State Park. The Foundation anticipates significant restoration activities will occur in Fiscal Year 2020.

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STATEMENT OF NET POSITION

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS:	
Cash and cash equivalents	\$ 727,520
Receivables	22,399
Inventory	22,152
Other assets	9,396
Investments	1,708,618
Capital assets, net	4,510,701
Total Assets	<u>7,000,786</u>
LIABILITIES:	
Accounts payable	38,008
Accrued expenses	3,935
Unearned revenues	3,750
Total Liabilities	<u>45,693</u>
NET POSITION:	
Restricted for:	
Natural resources and recreation	503,467
Endowment - nonspendable	70,219
Education	107,372
Unrestricted	1,763,334
Investment in capital assets	4,510,701
Total Net Position	<u>\$ 6,955,093</u>

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BALANCE SHEET
GOVERNMENTAL FUNDS

	<u>SPECIAL REVENUE FUND</u>	<u>NONMAJOR PERMANENT FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$ 715,482	\$ 12,038	\$ 727,520
Receivables	22,253	146	22,399
Inventory	22,152	-	22,152
Investments	1,543,211	165,407	1,708,618
Other assets	9,396	-	9,396
Total Assets	<u>\$ 2,312,494</u>	<u>\$ 177,591</u>	<u>\$ 2,490,085</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	38,008	-	38,008
Accrued expenses	3,935	-	3,935
Unearned revenues	3,750	-	3,750
Total Liabilities	<u>45,693</u>	<u>-</u>	<u>45,693</u>
Fund Balances:			
Nonspendable	-	70,219	70,219
Restricted:			
Natural resources and recreation	503,467	-	503,467
Education	-	107,372	107,372
Unassigned	1,763,334	-	1,763,334
Total Fund Balance	<u>2,266,801</u>	<u>177,591</u>	<u>2,444,392</u>
Total Liabilities and Fund Balances	<u>\$ 2,312,494</u>	<u>\$ 177,591</u>	<u>\$ 2,490,085</u>

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

Total fund balances - governmental funds	\$ 2,444,392
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.	4,510,701
Net position of governmental activities	<u><u>\$ 6,955,093</u></u>

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

	SPECIAL REVENUE FUND	NONMAJOR PERMANENT FUND	TOTAL
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Donations	\$ 873,473	\$ -	\$ 873,473
Investment earnings	28,958	13,391	42,349
Merchandise sales	23,860	-	23,860
On-behalf payments	96,747	-	96,747
Total Revenues	<u>1,023,038</u>	<u>13,391</u>	<u>1,036,429</u>
EXPENDITURES			
Administrative	292,417	150	292,567
Natural resources and recreation	567,464	-	567,464
On-behalf payments	96,747	-	96,747
Total Expenditures	<u>956,628</u>	<u>150</u>	<u>956,778</u>
Net Change in Fund Balances	66,410	13,241	79,651
Fund Balance - Beginning	<u>2,200,391</u>	<u>164,350</u>	<u>2,364,741</u>
Fund Balance - Ending	<u>\$ 2,266,801</u>	<u>\$ 177,591</u>	<u>\$ 2,444,392</u>

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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	\$ 79,651
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	1,722
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	18,008
Net book value of capital assets disposed	(1,184)
Depreciation expense	<u>(87,268)</u>
Change in net position of governmental activities	<u>\$ 10,929</u>

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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.

The Foundation implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*; GASB Statement No. 88, *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*. 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 13, 2020, 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 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 average method in determining cost. The inventories consist of merchandise available for sale that are recorded as expenditures when purchased.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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. 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.

P. Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

NOTE 2: DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents consist of checking and savings accounts of \$238,473 and cash in the Foundation's investment accounts of \$489,047 at June 30, 2019. The checking and savings accounts are secured by the Federal Depository Insurance Corporation (FDIC) coverage. Of the total cash in the Foundation's investment accounts, \$250,000 was secured by FDIC.

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NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

The Foundation's Investment Policy's mission is to support 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 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. The Foundation's investments are managed by hired investment consultants and the Foundation has placed oversight responsibility for the endowment fund with its finance committee.

Investment Summary Schedule

As of June 30, 2019, 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	\$ 192,699	\$ 25,228	\$ 167,471	\$ -	\$ -
Certificates of Deposit	243,223	213,101	30,122		
Corporate Equity Securities	860,124				
Mutual Funds	412,572				
Total Investments	<u>\$ 1,708,618</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, 2019, the Foundation's WAM was as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2: DEPOSITS AND INVESTMENTS (CONCLUDED)

Investment Type	Fair Value	Weighted Average Maturity (Years)
Corporate Debt Securities	\$ 192,699	1.92
Certificates of Deposit	243,223	0.49
Corporate Equity Securities	860,124	-
Mutual Funds	412,572	-
	\$ 1,708,618	

Concentration of Credit Risk and Credit Risk for Investments

The Foundation does not have a formal investment policy that limits investment choices. The following table presents the quality ratings of debt securities held by the Foundation as of June 30, 2019.

Investment Type	Moody's Quality Rating	Fair Value
Corporate Obligations	A2	\$ 46,808
	Aa2	41,392
	A3	79,271
	Baa1	25,228
Total Debt Securities		\$ 192,699

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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:

<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Debt Securities	\$ 192,699	\$ -	\$ 192,699	\$ -
Corporate Equity Securities	860,124	799,724	60,400	-
Mutual Funds	412,572	415,572	-	-
Total Investments	<u>\$ 1,465,395</u>	<u>\$ 1,215,296</u>	<u>\$ 253,099</u>	<u>\$ -</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 4: RESTRICTED FUND BALANCE

Gifts and donations made to the Foundation that are subject to restrictions by the donors are considered 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. Pursuant to this donation, the Foundation is to retain the donated shares, or if necessary other investments of similar value, safety or income.

Earnings, in the form of dividends 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. The initial endowment is reported as a nonmajor permanent fund as nonspendable. The unspent earnings from the endowment and the subsequent donation of shares of Adams Express Stock and subsequent sales and purchases of stock of similar value, safety, and income are reported in the same fund type as 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, 2019, is as follows:

Salaries	\$	47,500
Benefits		49,247
Total	\$	<u>96,747</u>

The total of \$96,747 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.

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 6: RECEIVABLES

Receivables for the year ended June 30, 2019, were as follows:

Private grants and donations	\$ 12,500
Accrued interest	4,719
Miscellaneous	5,180
	<u>\$ 22,399</u>

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Adjustments	Balance June 30, 2019
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	109,747	18,008	(14,000)	25,000	138,755
Total capital assets being depreciated	2,077,474	18,008	(14,000)	25,000	2,106,482
Less accumulated depreciation:					
Buildings	(403,664)	(56,531)	-	-	(460,195)
Site improvements	(15,526)	(5,809)	-	-	(21,335)
Equipment	(45,139)	(24,928)	12,816	(25,000)	(82,251)
Total accumulated depreciation	(464,329)	(87,268)	12,816	(25,000)	(563,781)
Governmental Activities - Capital Assets, Net	<u>\$ 4,581,145</u>	<u>\$ (69,260)</u>	<u>\$ (1,184)</u>	<u>\$ -</u>	<u>\$ 4,510,701</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, 2019, of \$87,268 was charged to the governmental activities on the government-wide Statement of Activities.

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 7: CAPITAL ASSETS (CONTINUED)

The donation of the Torstenson Farm 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.

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 carries workers compensation, liability, automobile, and umbrella insurance coverage. Estimated settlements did not exceed the insurance coverage 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. The UPMIFA added certain prudent spending measures to the Uniform Management of Institutional Funds Act. In accordance with the 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.



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

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 Conservation Foundation
Springfield, Illinois

Report on the Financial Statements

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, 2019, 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 January 13, 2020.

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 2019-001 and 2019-002.

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 a material weakness 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 item 2019-001 to be a material weakness.

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 2019-002 to be a significant deficiency.

Foundation's Response to the Finding

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 it.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
January 13, 2020

ILLINOIS CONSERVATION FOUNDATION
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FINANCIAL AUDIT
For the Year Ended June 30, 2019

SCHEDULE OF FINDING – GOVERNMENT AUDITING STANDARDS

2019-001. **FINDING** (Weaknesses over Receipts and Expenditures)

The Illinois Conservation Foundation (Foundation) had weaknesses over its receipts and credit card expenditure processes.

During testing, the following conditions were noted:

- Seven of 15 (47%) receipts tested were not deposited timely. The receipts were deposited 4 to 17 days late.

The Foundation Procedures Manual requires receipts to be deposited within 48 hours from the date of receipt.

- The Foundation did not maintain proper segregation of custody and recordkeeping duties over its receipts processing. A consultant from an outside accounting firm contracted to perform bookkeeping services records receipts, prepares deposit summary, and electronically deposits funds into the bank. Cash receipts are physically deposited by the same individual to the bank.
- Six of 43 (14%) credit card expenditures tested did not have supporting receipts or invoices.
- Nine of 9 (100%) credit card statements tested did not have indications that a review for appropriateness of credit card charges was conducted.
- Eight of 8 (100%) monthly bank reconciliations prepared by the consultant were not reviewed by management.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Foundation to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

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SCHEDULE OF FINDING – *GOVERNMENT AUDITING STANDARDS*

Prudent business practices require proper internal controls such proper segregation of duties, maintenance of records and supporting documentation, and adequate review be established to ensure the accuracy and reliability of accounting data.

Foundation management stated the above issues were due to limited staffing resources.

Failure to maintain proper segregation of duties may result in theft or misappropriation of assets which may not be prevented or detected. Lack of review of monthly bank reconciliations and credit card statements may result in inaccurate financial records and inappropriate charges not timely detected and corrected. Failure to deposit receipts timely may result in lost interest revenue. Failure to ensure credit card charges are properly supported may result in unallowable charges by employees. (Finding Code No. 2019-001)

RECOMMENDATION

We recommend management increase its oversight of the receipts and credit card processing performed by its contractor to timely prevent or detect misstatements.

FOUNDATION RESPONSE

We agree.

ILLINOIS CONSERVATION FOUNDATION
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SCHEDULE OF FINDING – GOVERNMENT AUDITING STANDARDS

2019-002. **FINDING** (Inadequate Controls over Capital Assets)

The Illinois Conservation Foundation (Foundation) did not have adequate controls over its capital assets.

During testing, we noted the following:

- The Foundation did not ensure its listing of capital assets was complete and accurate. During our physical identification of capital assets from the capital assets listing to the item, we noted capital assets consisting of a disc harrow and a cultimulcher were not included in the list. As such, these items were not reported in the government-wide financial statements of the Foundation. According to the Foundation, these equipment items were included with the donation of the Torstenson Farm to the Foundation in 2010. The Foundation estimated the fair value at the time of donation of these assets to be \$25,000. The Foundation subsequently adjusted and reported these assets on the government-wide financial statements. As these items were fully depreciated, the net effect on the government-wide financial statements was \$0. Furthermore, the auditors were subsequently able to obtain a comfort level with the Foundation's capital listing.
- The capital asset listing was not properly updated and maintained. During testing, auditors noted capital assets consisting of a zero radius mower and a Polaris Ranger disposed of in Fiscal Year 2017 were removed from the capital assets listing during Fiscal Year 2019 and a John Deere mower costing \$18,008 purchased in Fiscal Year 2017 was added to the listing during Fiscal Year 2019.
- The Foundation did not maintain a listing of property and equipment below the capitalization threshold of \$5,000. During our physical identification of property and equipment, we noted equipment items consisting of a planter, a log skidder, a snow blower, and a log splitter. There was no listing accounting for these assets.
- The Foundation did not conduct regular physical inspection of capital assets and did not utilize tag numbers to account for its property and equipment.

The Statewide Accounting Management System (SAMS) Procedure 03.30.20 states that donated assets should be reported at estimated fair value at the time of acquisition. SAMS Procedure 03.30.30 states that capital assets that falls within the capitalization threshold should be reported in the government-wide financial statements.

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SCHEDULE OF FINDING – GOVERNMENT AUDITING STANDARDS

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Foundation 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.

Foundation management stated the inadequate controls over capital assets were due to limited staff resources.

Inadequate controls over capital assets may result in inaccurate financial reporting and loss of property not being timely detected. (Finding Code No. 2019-002)

RECOMMENDATION

We recommend management ensure assets are properly accounted through the maintenance of a complete and updated asset listing which should be clearly assigned to a responsible employee. In addition, we recommend the Foundation periodically conduct a physical count and inspection of all its assets to prevent and detect misappropriation or misstatements.

FOUNDATION RESPONSE

We agree.

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SCHEDULE OF FINDING – PRIOR FINDING NOT REPEATED

A. **FINDING** (Financial Statement Preparation – Merchandise Held for Sale)

During the prior audit, the Foundation did not have adequate controls over the financial statement process regarding merchandise available for sale. More specifically, the Foundation did not perform an inventory count and did not account for its inventory in the prior year.

During the current audit, the Foundation conducted an annual count of its inventory and recognized inventory on its financial statements. (Finding Code No. 2018-001)