

ILLINOIS JOINING FORCES FOUNDATION

FINANCIAL AUDIT

For the Year Ended June 30, 2016

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2016

ILLINOIS JOINING FORCES FOUNDATION
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ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
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AGENCY OFFICIALS

| | |
|---|--------------------|
| Executive Director (Current) | Mr. Jaime Martinez |
| Interim Executive Director (March 2017 to November 2017) | Mr. Andrew Dillon |
| Executive Director (June 2015 to March 2017) | Mr. Ken Barber |

The Foundation's offices are located at:

180 N. LaSalle Street, Suite 2750
Chicago, Illinois 60601



ILLINOIS JOINING FORCES
*Supporting Service Members, Veterans
and their Families*

MANAGEMENT ASSERTION LETTER

Honorable Frank J. Mautino
Auditor General
State of Illinois
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703

April 12, 2018

Auditor General Mautino:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Joining Forces Foundation. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Illinois Joining Forces Foundation's compliance with the following assertions during the two-year period ended June 30, 2016. Based on this evaluation, we assert that during the years ended June 30, 2016, and June 30, 2015, the Illinois Joining Forces Foundation has materially complied with the assertions below.

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

Yours truly,

Illinois Joining Forces Foundation

SIGNED ORIGINAL ON FILE

Jaime Martinez, Executive Director

SIGNED ORIGINAL ON FILE

Steve Goodwin, Co-Chair of the Board of Directors

SIGNED ORIGINAL ON FILE

Kevin Smith, Co-Chair of the Board of Directors

ILLINOIS JOINING FORCES FOUNDATION
 FINANCIAL AUDIT
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 For the Two Years Ended June 30, 2016

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance contains an adverse opinion on compliance and identifies material weaknesses in internal control over compliance.

SUMMARY OF FINDINGS

| | |
|-----------------------------------|----------------|
| <u>Number of</u> | <u>Current</u> |
| Findings | Report |
| Repeated findings | 3 |
| Prior recommendations implemented | N/A* |
| or not repeated | N/A* |

* This is the first financial audit and compliance examination of the Foundation.

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|---|-------------|--|---------------------|
| <i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i> | | | |
| 2016-001 | 12 | Inadequate Financial Reporting and Controls | Material Weakness |
| 2016-002 | 18 | Inadequate Internal Control Structure | Material Weakness |
| 2016-003 | 21 | Lack of Documentation to Substantiate Compliance with Grant Agreements | Material Weakness |

FINDINGS (STATE COMPLIANCE)

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

| | | | |
|----------|----|--|--|
| 2016-001 | 12 | Inadequate Financial Reporting and Controls | Material Weakness and Material Noncompliance |
| 2016-002 | 18 | Inadequate Internal Control Structure | Material Weakness and Material Noncompliance |
| 2016-003 | 21 | Lack of Documentation to Substantiate Compliance with Grant Agreements | Material Weakness and Material Noncompliance |

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Foundation personnel at an exit conference on April 3, 2018. Attending were:

Foundation Personnel

Jaime Martinez, Executive Director
Steve Goodwin, Board Co-Chair
Kevin Smith, Board Co-Chair

OAG Personnel

Courtney Dzierwa, Audit Manager
Quentin Kuntzman, State Auditor

The responses to the recommendations were provided by Jaime Martinez, Executive Director, in correspondence dated April 3, 2018.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Joining Forces Foundation

Compliance

We have examined the Illinois Joining Forces Foundation's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2016. The management of the Illinois Joining Forces Foundation is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois Joining Forces Foundation's compliance based on our examination.

- A. The Illinois Joining Forces Foundation has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Illinois Joining Forces Foundation has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Illinois Joining Forces Foundation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

- D. Revenues and receipts collected by the Illinois Joining Forces Foundation are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Illinois Joining Forces Foundation or held in trust by the Illinois Joining Forces Foundation have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act. Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the Illinois Joining Forces Foundation complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the Illinois Joining Forces Foundation complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Illinois Joining Forces Foundation's compliance with specified requirements.

Our examination disclosed the following material noncompliance with requirements regarding accounting and recordkeeping applicable to the Illinois Joining Forces Foundation during the two years ended June 30, 2016. These matters are described in items 2016-001, 2016-002, and 2016-003 in the accompanying schedule of findings. Compliance with such requirements is necessary, in our opinion, for the Illinois Joining Forces Foundation to comply with the requirements listed in the first paragraph of this report.

In our opinion, because of the effect of the noncompliance described in the preceding paragraph, the Illinois Joining Forces Foundation has not complied with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2016.

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

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

Internal Control

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2016-001, 2016-002, and 2016-003 that we consider to be material weaknesses.

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

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

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

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
April 12, 2018

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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

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 net position, statement of activities, statement of functional expenses, and statement of cash flows of the Illinois Joining Forces Foundation, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Illinois Joining Forces Foundation's basic financial statements, and have issued our report thereon dated April 12, 2018. Our report included an adverse opinion on such financial statements because of the Illinois Joining Forces Foundation not maintaining accurate and complete accounts payable records and the Illinois Joining Forces Foundation was unable to provide certain requested supporting documentation and overall failure to adhere to the Illinois Joining Forces Foundation's bylaws and internal control structure.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2016-001, 2016-002, and 2016-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Illinois Joining Forces 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Illinois Joining Forces Foundation's Response to Findings

The Illinois Joining Forces Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Illinois Joining Forces 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 Illinois Joining Forces 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 Illinois Joining Forces Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
April 12, 2018

ILLINOIS JOINING FORCES FOUNDATION

SCHEDULE OF FINDINGS

For the Two Years Ended June 30, 2016

2016-001. **FINDING** (Inadequate Financial Reporting and Controls)

The Illinois Joining Forces Foundation (Foundation) did not retain sufficient documentation to facilitate financial reporting, lacked adequate control over its bank account and related records, and its personnel frequently overrode controls established in the Foundation's bylaws.

During testing, we noted the following deficiencies and inaccuracies in financial reporting:

Inaccurate and Incomplete Accounts Payable Reporting and Management Override of Controls

During accounts payable testing, we identified two payments made by the Foundation subsequent to Fiscal Year 2016, totaling \$10,120, which were improperly excluded from the Foundation's accounts payable balance as reported on the June 30, 2016, financial statements. In addition, subsequent to Fiscal Year 2016, the Foundation's Board of Directors discovered a member of management had obligated the Foundation to vendors for liabilities exceeding \$250,000, unbeknownst to the Foundation's Board of Directors or the independent fiscal agent. These liabilities consisted of services rendered by vendors, including website maintenance, strategic communications, and consulting services. A lack of supporting documentation limited our ability to conclude on when those services were rendered and if accounts payable were understated by additional amounts as of June 30, 2016. The accounts payable records maintained by the Foundation's fiscal agent did not include amounts owed to these vendors, and payments to these vendors were not being issued. **As a result, we were unable to conclude whether accounts payable reported on the Foundation's June 30, 2016, financial statements were complete and accurately presented.**

Because the Foundation's financial records are maintained by their independent fiscal agent, the completeness and accuracy of accounts payable information is heavily reliant upon open communication and information sharing between Foundation personnel and the independent fiscal agent. In general, the independent fiscal agent only became aware of accounts payable when invoices were presented to the independent fiscal agent for payment. This arrangement, absent the addition of compensating controls and reviews, creates an overall risk accounts payable will be understated at any given point.

In accordance with Generally Accepted Accounting Principles (GAAP) all liabilities and expenses should be properly recorded in the financial statements. Further, the Foundation's bylaws require the Board's chair or treasurer to execute all contracts of the Foundation. Good business practices require a proper internal control structure be established to ensure the accuracy and reliability of accounting data. Additionally, policy statements, personnel rules, systems of

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2016

authorization and approval, and procedures should be used to properly guide employee actions and the Foundation's operations. Sufficient and proper accounting records should be maintained to adequately control fiscal operations and provide reliable data necessary for management reports.

Inaccurate Reporting of Capital Assets

We noted the Foundation's equipment at cost, accumulated depreciation, and depreciation expense balances reported on its June 30, 2016, financial statements were inaccurate. We identified two other likely equipment disbursements to the same vendor for identical amounts or amounts greater than the fixed asset value identified on the financial statements and related footnotes. These disbursements were selected for disbursement testing as described below; however, **due to the lack of supporting documentation, and the absence of a property listing, we were unable to quantify the adjusting entry needed to correct the June 30, 2016, financial statements and related footnotes.**

In accordance with GAAP, all assets and expenses should be properly recorded in the financial statements.

Inadequate Bank Account Records and Reconciliations

We noted the following with regard to the Foundation's bank account:

- Bank reconciliations were performed by the Foundation's independent fiscal agent. The reconciliations were not signed or dated by either the preparer or a reviewer of the reconciliation. As a result, we were unable to determine the timeliness of the reconciliation or if a proper segregation of duties was maintained over the bank reconciliation process (i.e. to ensure involvement of both fiscal agent staff as well as Foundation personnel). Despite the involvement of the independent fiscal agent in the process, we maintain Foundation personnel and/or Board members should be actively engaged in the ongoing review of all financial records, including bank reconciliations.
- One of 13 (8%) bank reconciliations performed by the Foundation's independent fiscal agent excluded all expenses during the month, resulting in a \$6,575 overstatement of funds available at that point in time.

Good internal controls include ensuring bank reconciliations are performed timely, properly documented, and independently reviewed.

Lack of Sufficient Records to Support Disbursements

The Foundation did not maintain supporting documentation for disbursements:

ILLINOIS JOINING FORCES FOUNDATION

SCHEDULE OF FINDINGS

For the Two Years Ended June 30, 2016

- The Foundation was unable to provide supporting documentation, such as original receipts or invoices, for 15 of 62 (24%) disbursements selected for testing, totaling \$9,437. Four of these transactions, totaling \$2,407, were expense reimbursements for Foundation employees and contractors. The only documentation available to substantiate these transactions was the expense reimbursement request form itself. No original receipts were attached to the reimbursement forms to support the reimbursement of the employee or contractor. The remaining 11 disbursements tested, totaling \$7,030, were carried out through the use of a debit card. Receipts or invoices could not be provided to support these expenses.
- The Foundation did not retain copies of its cancelled checks. As a result, we were unable to verify that 31 of 62 (50%) disbursements tested, totaling \$168,627, were properly authorized.
- The supporting invoices for one of 62 (2%) disbursements tested did not agree to the actual amount of the disbursement. In this case, the Foundation recorded a disbursement of \$33,226. In contrast, the vendor invoices totaled \$37,822. No documentation was noted to explain this difference of \$4,596.

The Internal Revenue Services' *Compliance Guide for 501(c)(3) Public Charities (Guide)* states a public charity must maintain books and records to show that it complies with tax rules. The *Guide* also states if an organization does not keep required records, it may not be able to show that it qualifies for tax-exempt status or should be classified as a public charity; thus, the organization may lose its tax-exempt status or be classified as a private foundation rather than a public charity.

Further, good internal controls include ensuring disbursements are properly authorized and supported with adequate documentation.

Other Financial Reporting Deficiencies

In addition, we noted the following deficiencies:

- The Foundation misclassified \$3,466 of meals and entertainment expenses as training and development costs on its Statement of Functional Expenses.

The Financial Accounting Standards Board requires voluntary health and welfare organizations and encourages other not-for-profit entities to report expenses by natural/object classification, such as salaries and rent, in a matrix by function, including by program services and supporting activities. Good internal controls require the Foundation to ensure its expenses are properly reported by natural/object and functional classification on the Statement of Functional Expenses.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2016

- We also noted a lack of controls over checks, as noted below:
 - During disbursements testing, we identified one instance, totaling \$1,250, where the check number in the Foundation's financial records did not trace to the physical check used to disburse the Foundation's funds.
 - The Foundation was unable to provide documentation to substantiate a 3-check gap in its check number sequence during the month of June 2015.

Good internal controls include the use of checks in subsequential order with documentation maintained for all voided checks and the Foundation's records agree with its checks.

Foundation personnel indicated former staff disregarded the proper procedures and communication necessary to accomplish these tasks in a transparent manner due to their passion and drive to further the Foundation's mission and accomplish related tasks. Further, Foundation personnel indicated the relative newness of their organization, as well as an office location move and personnel turnover, contributed to the errors noted and the lack of documents available to satisfy the auditors. In addition, Foundation management indicated a lack of communication between staff and the Foundation's fiscal agent contributed to the incomplete accounts payable records.

Failure to ensure the Foundation's internal controls were designed and operating effectively during Fiscal Year 2016 resulted in the Foundation not preparing fairly presented financial statements and increased the risk of errors or other irregularities going undetected and uncorrected during Fiscal Year 2016. (Finding Code No. 2016-001)

RECOMMENDATION

We recommend the Foundation:

- ensure original bank statements are retained;
- ensure bank reconciliations are performed;
- ensure the persons preparing the reconciliations, as well as performing reviews, document their involvement in the process;
- ensure records maintained are accurate and complete, including original receipts and vendor invoices for each transaction;
- improve communication between employees, the Board of Directors, and the fiscal agent to facilitate accurate and complete reporting of accounts payable activity and contracting activity;
- develop a property listing to facilitate proper reporting of fixed asset activity and to ensure accountability for all capital assets owned by the Foundation;

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2016

- perform a review of the Foundation’s services and subsequent events activity related to Fiscal Year 2016 to prepare an accurate Statement of Financial Position as of July 1, 2016, to enable accurate financial reporting in future periods; and,
- perform intensive and ongoing monitoring of financial activity to ensure controls, such as those incorporated in the Foundation’s bylaws, are not being overridden by employees or others in positions of authority.

FOUNDATION RESPONSE

The Foundation agrees with the findings.

The Foundation has adopted the recommendations provided by the Auditor General and is reinforcing the recommendations in newly published Foundation policies and procedures, to include the following:

“ ensure original bank statements are retained;

ensure bank reconciliations are performed;

ensure the persons preparing the reconciliations, as well as performing reviews, document their involvement in the process;

ensure records maintained are accurate and complete, including original receipts and vendor invoices for each disbursement made;

improve communication between employees, the Board of Directors, and the fiscal agent to facilitate accurate and complete reporting of accounts payable activity and contracting activity;

develop a property listing to facilitate proper reporting of fixed asset activity and to ensure accountability for all capital assets owned by the Foundation;

perform a review of the Foundation’s services and subsequent events activity related to Fiscal Year 2016 to prepare an accurate Statement of Financial Position as of July 1, 2016, to enable accurate financial reporting in future periods; and,

perform intensive and ongoing monitoring of financial activity to ensure controls, such as those incorporated in the Foundation’s bylaws, are not being overridden by employees or others in positions of authority.”

Accordingly, the Board Chair terminated the employment of the Executive Director effective March 31, 2017 and subsequently employed a contract interim

ILLINOIS JOINING FORCES FOUNDATION

SCHEDULE OF FINDINGS

For the Two Years Ended June 30, 2016

Executive Director until a new Foundation Executive Director was employed effective November 16, 2017.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2016

2016-002. **FINDING** (Inadequate Internal Control Structure)

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:

- One of four (25%) grant agreements selected for testing, totaling \$150,000, was executed by the Foundation's Executive Director.

The Foundation's bylaws require the Board's chair or treasurer to execute all grants of the Foundation.

- The Foundation did not maintain adequate control over contracts entered into with vendors, as described below:
 - The Foundation was unable to provide three contractual agreements requested, pertaining to 9 of 62 (15%) disbursements tested. These 9 disbursements totaled \$67,872.
 - Two contractual agreements tested, totaling \$35,203, pertaining to 3 of 62 (5%) disbursements tested, were improperly signed and executed by the Foundation's Executive Director.
 - Two contractual agreements tested, totaling \$31,785, pertaining to 3 of 62 (5%) disbursements tested, were not signed by either the Foundation or the vendor.

The Foundation's bylaws require the Board's chair or treasurer to execute all contracts of the Foundation.

- We noted inconsistencies between the Foundation's 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 us, and we could not positively determine when this change had taken effect.

Due to the conflicting policies described above, the following conditions were noted:

ILLINOIS JOINING FORCES FOUNDATION

SCHEDULE OF FINDINGS

For the Two Years Ended June 30, 2016

- Nine of 62 (15%) disbursements tested, totaling \$125,501 and individually exceeding \$5,000, were not approved in accordance with the Foundation's bylaws. The bylaws require dual approval from both the Board's treasurer and another Board member for expenses over \$5,000.
- Similarly, we were unable to determine whether 34 of 62 (55%) disbursements tested, totaling \$89,819 and individually ranging between \$1,000 and \$5,000, were properly approved.

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

- The Foundation's Executive Director obtained a debit card, linked to the Foundation's account, for which the consent of the Foundation's Board could not be located, and executed 172 transactions during Fiscal Year 2016, totaling \$17,858 and individually ranging from \$1 to \$1,808, with the unauthorized card. A receipt was located and reviewed by us for only one of those debit card transactions, totaling \$1,633. However, due to a lack of receipts or other documentation, we could not determine if the other 171 debit card transactions, totaling \$16,225, were proper and related to Foundation functions and business. Further, we could not determine if purchases made via the debit card constituted fringe benefits which should have been reported to the Internal Revenue Service (IRS) as compensation.

The Foundation's bylaws state all disbursements of the Foundation are to be made by check. Further, the Code of Federal Regulations (26 CFR § 1.62-2) allows an employer to exclude from an employee's gross income amounts paid under an "accountable plan" under which the employer requires the employee to substantiate all expenses and repay any amounts received in excess of documented expenses. If not paid under an "accountable plan," such amounts are includable in the employee's gross income and are subject to all payroll taxes. Finally, IRS Publication 15-B notes any fringe benefit provided is taxable and must be included in the recipient's pay unless the law specifically excludes it.

Foundation personnel and Board members indicated a lack of communication inhibited efforts to monitor fiscal and daily operations. In addition, the Foundation personnel indicated the debit card became necessary to help accomplish the Foundation's mission timely and to avoid delays and processing problems associated with checks. Lastly, Foundation personnel and Board members indicated changes in the authorized spending limit for the Executive

ILLINOIS JOINING FORCES FOUNDATION

SCHEDULE OF FINDINGS

For the Two Years Ended June 30, 2016

Director were necessary during the middle of the fiscal year because the Foundation encountered various expenses in the course of its mission, but the related internal policy was not updated due to oversight and a lack of full awareness of the financial controls policy document.

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. 2016-002)

RECOMMENDATION

We recommend the Foundation's personnel and Board meet and agree on specific internal control objectives, policies, and practices; thereafter, Board members and management should perform ongoing reviews of financial records and activities to ensure those objectives, policies, and practices are being adhered to closely and/or are updated as changes arise. In addition, the Foundation's personnel and Board should communicate openly, clearly, and frequently as to the financial and operational status of the Foundation.

FOUNDATION RESPONSE

The Foundation agrees with the findings.

The Foundation has adopted the recommendations provided by the Auditor General and is reinforcing the recommendations in newly published Foundation policies and procedures, to include the following:

“We recommend the Foundation's personnel and Board meet and agree on specific internal control objectives, policies, and practices; thereafter, Board members and management should perform ongoing reviews of financial records and activities to ensure those objectives, policies, and practices are being adhered to closely and/or are updated as changes arise. In addition, the Foundation's personnel and Board should communicate openly, clearly, and frequently as to the financial and operational status of the Foundation.”

ILLINOIS JOINING FORCES FOUNDATION

SCHEDULE OF FINDINGS

For the Two Years Ended June 30, 2016

2016-003. **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 the following conditions:

- The Foundation was unable to provide a signed grant agreement for one of four (25%) grants selected for testing. For the other three (75%) grants selected for testing, the Foundation was only able to provide limited documentation, such as the completed grant application. Foundation personnel indicated the required expense reports and status reports were provided to the grantor organizations via informal presentations; however, the Foundation did not retain documentation of those presentations.
- The Foundation did not properly classify and account for its temporarily restricted assets in its financial statements. The Foundation reported temporarily restricted assets totaling \$75,000, relating to a \$150,000 grant received in June 2016. The grant agreement specified all funds were to be used for innovative solutions for Illinois veteran outreach and communication. At the time the grant monies were received, the Foundation had a bank account balance of \$1,780. Foundation expenses from that date through the end of the fiscal year totaled \$61,241. **However, we could not determine if the \$61,241 expended during that timeframe was used solely for the purposes specified in the grant agreement or if the grant monies received were applied to expenses already incurred on a retroactive basis.** We were unable to determine the extent, if any, of the misclassification or if the terms of the grant agreement were violated due to a lack of documentation.

The Foundation is heavily reliant upon grant funds received to continue their operations and mission. During Fiscal Year 2016, the Foundation received a total of \$300,000 in grant monies from two identified funding organizations. This dependence on a small number of funding organizations makes it imperative the Foundation retain all necessary records and documentation to ensure compliance with grant agreements and to prevent situations where the Foundation may be required to return grant funds to providing organizations due to noncompliance.

Good business practices require the Foundation to ensure the terms of all grants, contracts, and binding agreements are complied with. Similarly, progress toward achieving goals and objectives, as well as expenses incurred by the Foundation, should be actively monitored. Good business practices also require sufficient and properly designed accounting records be maintained to adequately control fiscal operations and provide reliable data for any necessary management reports.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2016

Foundation personnel indicated the relative newness of their organization, as well as an office location move and personnel turnover, contributed to the lack of documents available to satisfy the auditors.

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. In addition, the lack of proper documentation significantly increases the risk of a material misstatement in the Foundation's financial statements. (Finding Code No. 2016-003)

RECOMMENDATION

We recommend the Foundation ensure full records are maintained for each grant received, including the completed application, signed grant agreement, expense records, and 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

The Foundation agrees with the findings.

The Foundation has adopted the recommendations provided by the Auditor General and is reinforcing the recommendations in newly published Foundation policies and procedures, to include the following:

“We recommend the Foundation ensure full records are maintained for each grant received, including the completed application, signed grant agreement, expense records, and 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.”

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2016
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Foundation's internal control over financial reporting that they considered to be material weaknesses. The material weaknesses are described in the accompanying Schedule of Findings on pages 12-22 of this report as item 2016-001, *Inadequate Financial Reporting and Controls*, item 2016-002, *Inadequate Internal Control Structure*, and item 2016-003, *Lack of Documentation to Substantiate Compliance with Grant Agreements*.

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Foundation personnel at an exit conference on April 3, 2018. Attending were:

Foundation Personnel

Jaime Martinez, Executive Director
Steve Goodwin, Board Co-Chair
Kevin Smith, Board Co-Chair

OAG Personnel

Courtney Dzierwa, Audit Manager
Quentin Kuntzman, State Auditor

The responses to the recommendations were provided by Jaime Martinez, Executive Director, in correspondence dated April 3, 2018.

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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, which comprise the Statement of Financial Position as of June 30, 2016, and the related Statement of Activities, Statement of Functional Expenses, and Statement of Cash Flows for the year then ended, and the related notes to the 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 of 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 error or fraud. 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 opinion.

Basis for Adverse Opinion

As described in Finding 2016-001, the Illinois Joining Forces Foundation has not ensured accurate and complete accounts payable records were maintained and properly reported in its financial statements. Under accounting principles generally accepted in the United States of America, the Illinois Joining Forces Foundation must report the carrying value of its obligations incurred and payable to vendors for goods and services received as of the date of its Statement of Financial Position. The amount by which this departure affects the financial statements of the Illinois Joining Forces Foundation is not reasonably determinable due to a lack of supporting documentation.

In addition, as described in Findings 2016-001, 2016-002, and 2016-003, the inability to provide certain requested supporting documentation and a failure to adhere to the Foundation's bylaws and internal control structure limited our ability to conclude the financial statements of the Illinois Joining Forces Foundation were fairly stated, in all material respects, which was the objective of our audit.

Adverse Opinion

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion" paragraphs, the financial statements referred to above do not present fairly the financial position of the Illinois Joining Forces Foundation, as of June 30, 2016, or the changes in financial position, cash flows, and functional expenses thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit for the year ended June 30, 2016, was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Illinois Joining Forces Foundation's basic financial statements. The accompanying supplementary information in the Analysis of Operations Section is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2018, on our consideration of the Illinois Joining Forces 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 Illinois Joining Forces 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 Illinois Joining Forces Foundation's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
April 12, 2018

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | TOTAL |
|--|--------------|---------------------------|---------------------------|-----------|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 15,543 | \$ 75,000 | \$ - | \$ 90,543 |
| Grants and contracts receivable | - | - | - | - |
| Total current assets | 15,543 | 75,000 | - | 90,543 |
| Noncurrent Assets: | | | | |
| Equipment, at cost | | | | |
| less accumulated depreciation of \$0 | 1,633 | - | - | 1,633 |
| Total Noncurrent Assets | 1,633 | - | - | 1,633 |
| Total Assets | \$ 17,176 | \$ 75,000 | \$ - | \$ 92,176 |
| LIABILITIES AND NET ASSETS: | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 3,500 | \$ - | \$ - | \$ 3,500 |
| Accrued expenses | 2,897 | - | - | 2,897 |
| Total current liabilities | 6,397 | - | - | 6,397 |
| Total liabilities | 6,397 | - | - | 6,397 |
| Net assets: | | | | |
| Unrestricted net assets | | | | |
| Net investment in equipment | 1,633 | - | - | 1,633 |
| Designated for programs and operations | 9,146 | - | - | 9,146 |
| Temporarily restricted | | | | |
| Innovative Solutions for Illinois Veteran Outreach and Communications | - | 75,000 | - | 75,000 |
| Total net assets | 10,779 | 75,000 | - | 85,779 |
| Total liabilities and net assets | \$ 17,176 | \$ 75,000 | \$ - | \$ 92,176 |

The accompanying notes are an integral part of the financial statements.

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | TOTAL |
|---|----------------|---------------------------|---------------------------|----------------|
| REVENUE: | | | | |
| Public Support, received directly | | | | |
| Contributions | \$ 3,319 | \$ - | \$ - | \$ 3,319 |
| Total Public Support | 3,319 | - | - | 3,319 |
| Other Revenue | | | | |
| Grants | - | 300,000 | - | 300,000 |
| Program Income | 2,000 | - | - | 2,000 |
| Interest Income | 2 | - | - | 2 |
| Miscellaneous | 1,272 | - | - | 1,272 |
| Total Other Revenue | 3,274 | 300,000 | - | 303,274 |
| Net Assets Released from Restrictions | | | | |
| Satisfaction of Grant Restrictions | 225,000 | (225,000) | - | - |
| Total Net Assets Released from Restrictions | 225,000 | (225,000) | - | - |
| Total Public Support and Other Revenue | \$ 231,593 | \$ 75,000 | \$ - | \$ 306,593 |
| OPERATING EXPENSES: | | | | |
| Program Services | | | | |
| Veterans Assistance | \$ 264,603 | \$ - | \$ - | \$ 264,603 |
| Total Program Services | 264,603 | - | - | 264,603 |
| Supporting Services: | | | | |
| Management and General | 35,354 | - | - | 35,354 |
| Fundraising | - | - | - | - |
| Total Supporting Services | 35,354 | - | - | 35,354 |
| Total Expenses | 299,957 | - | - | 299,957 |
| Change in Net Assets | (68,364) | 75,000 | - | 6,636 |
| Net Assets, Beginning of Year | 79,143 | - | - | 79,143 |
| Net Assets, End of Year | \$ 10,779 | \$ 75,000 | \$ - | \$ 85,779 |

The accompanying notes are an integral part of the financial statements.

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

| | Program Services | | Supporting Services | | TOTAL |
|----------------------------------|---------------------|-------------------|------------------------|-------------|-------------------|
| | Veterans Assistance | Sub-Total | Management and General | Fundraising | |
| Salaries and wages | \$ 64,560 | \$ 64,560 | \$ 16,140 | \$ - | \$ 80,700 |
| Payroll taxes and benefits | 9,996 | 9,996 | 2,499 | - | 12,495 |
| | 74,556 | 74,556 | 18,639 | - | 93,195 |
| Training and development | 43,600 | 43,600 | - | - | 43,600 |
| Office supplies and expense | 4,583 | 4,583 | 1,554 | - | 6,137 |
| Telecommunications | 901 | 901 | 90 | - | 991 |
| Occupancy | 11,810 | 11,810 | 2,952 | - | 14,762 |
| Insurance | - | - | 248 | - | 248 |
| Professional fees | 64,393 | 64,393 | 7,321 | - | 71,714 |
| Dues and subscription | 880 | 880 | 220 | - | 1,100 |
| Marketing and promotion | 59,271 | 59,271 | - | - | 59,271 |
| Repairs and maintenance | 843 | 843 | 211 | - | 1,054 |
| Printing and copying | 339 | 339 | 54 | - | 393 |
| Bank charges | - | - | 640 | - | 640 |
| Travel | 3,427 | 3,427 | 3,425 | - | 6,852 |
| Depreciation | - | - | - | - | - |
| TOTAL FUNCTIONAL EXPENSES | \$ 264,603 | \$ 264,603 | \$ 35,354 | \$ - | \$ 299,957 |

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|-----------------------------------|----------|
| (Decrease) Increase in net assets | \$ 6,636 |
|-----------------------------------|----------|

Adjustments to reconcile increase in net assets to net cash provided
by operating activities:

| | |
|--------------|---|
| Depreciation | - |
|--------------|---|

Increase in operating assets:

| | |
|--------------------------------|---|
| (Decrease) in grant receivable | - |
|--------------------------------|---|

| | |
|---|-------|
| Increase in accounts payable and accrued expenses | 6,397 |
|---|-------|

| | |
|---|--------|
| Net cash provided by operating activities | 13,033 |
|---|--------|

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|-----------------------|---------|
| Purchase of equipment | (1,633) |
|-----------------------|---------|

| | |
|---------------------------------------|---------|
| Net cash used by investing activities | (1,633) |
|---------------------------------------|---------|

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|--|---|
| Net cash used for financing activities | - |
|--|---|

| | |
|--|--------|
| Net (Decrease) Increase in cash and cash equivalents | 11,400 |
|--|--------|

| | |
|--|--------|
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 79,143 |
|--|--------|

| | |
|--|-----------|
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 90,543 |
|--|-----------|

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

| | |
|------------------------|------|
| Cash paid for interest | \$ - |
|------------------------|------|

The accompanying notes are an integral part of the financial statements.

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Significant Accounting Policies

(a) Nature of Activities

The Illinois Joining Forces Foundation (Foundation) is a statewide, public-private network of veteran and military serving organizations. It was incorporated in 2012. 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) Basis of Accounting

The Foundation prepares its financial statements in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) for not-for-profit entities promulgated by the Financial Accounting Standards Board. The significant accounting and reporting policies used by the Foundation are described subsequently to enhance the usefulness and understandability of the financial statements.

(c) 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 Foundation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foundation's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

(d) Net Assets

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

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents, 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.

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Foundation's unspent contributions are classified in this class if the donor limited its use, as are the unspent appreciation of its donor-restricted endowment funds.

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 temporarily restricted to unrestricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations that require the net assets be maintained permanently by the Foundation. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Foundation did not have any permanently restricted net assets as of June 30, 2016.

(e) Fair Value Measurements

The Foundation 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 Foundation'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, are considered Level 1 assets and liabilities.

(f) Tax Status

The Foundation is incorporated and is 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. The Foundation was not classified as a private foundation during Fiscal Year 2016. Contributions to the Foundation are tax-deductible to the donors under Section 170 of the IRC. During Fiscal Year 2016, the Foundation did not incur any income tax liabilities.

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

(g) 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.

(h) 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 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.

(i) 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 |

During Fiscal Year 2016, the Foundation incurred \$0 of depreciation expense.

(j) 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

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

recognized until they become unconditional; that is, until all conditions on which they depend are substantially met.

(k) Revenue Recognition

The Foundation 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, return of funds, or both, as a result of noncompliance by the Foundation with the terms of the grants/contracts.

(l) Expense Recognition and Allocation

The cost of providing the Foundation'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 Foundation.

Note 2 – Cash and Cash Equivalents

As of June 30, 2016, cash and cash equivalents consisted of the following:

| | |
|------------------|-----------------|
| Checking Account | \$90,543 |
| Petty Cash | <u>0</u> |
| Total | <u>\$90,543</u> |

The Foundation 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.

Note 3 – Fixed Assets

As of June 30, 2016, fixed assets consisted of the following:

| | |
|--------------------------------|----------------|
| Furniture and equipment | \$1,633 |
| Less: Accumulated Depreciation | <u>0</u> |
| Total | <u>\$1,633</u> |

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016, are available for the following purposes:

| <u>Donor</u> | <u>Purpose</u> | <u>Amount</u> |
|----------------------|--|-----------------|
| McCormick Foundation | Innovative Solutions for Illinois Veteran Outreach and Communications | <u>\$75,000</u> |
| Total | | <u>\$75,000</u> |

Note 5 – Subsequent Events

Subsequent to June 30, 2016, the Foundation obtained an interest-free loan of \$20,000 from a member of its Board of Directors. As of November 1, 2017, this loan was repaid in full.

The Foundation has evaluated subsequent events through April 12, 2018, the date the financial statements were issued. The Foundation is not aware of any additional facts, decisions, or conditions that might be expected to have a significant effect on the financial position or the results of operations during this and future fiscal years.

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2016
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Analysis of Operations (Unaudited):

Functions and Planning Program (Unaudited)
Memorandums of Understanding (Unaudited)
Service Efforts and Accomplishments (Unaudited)

The Independent Auditor's Report that covers the Supplementary Information for State Compliance Purposes presented in the Financial Statement Report Section states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, they do not express an opinion or provide any assurance on it.

ILLINOIS JOINING FORCES FOUNDATION
FUNCTIONS AND PLANNING PROGRAM (UNAUDITED)
For the Two Years Ending June 30, 2016

Functions

The Illinois Joining Forces Foundation (Foundation) was launched in 2012 through an inter-governmental agreement between the State's Department of Veterans' Affairs and Department of Military Affairs as a Statewide, public-private network of military and veteran-serving organizations working together to improve services for service members, veterans, and their families. The Foundation operates within the provisions of the Department of Veterans' Affairs Act (20 ILCS 2805), the General Not For Profit Corporation Act of 1986 (805 ILCS 105), and other applicable State and federal laws and regulations.

The purposes of the Foundation are to promote, support, assist, and sustain Foundation operations through the solicitation and acceptance of grants and private donations and to disburse them for the stated intent of the Foundation or the donor. The solicitation and generation of public and private funding and donations assist in enhancing the Foundation's mission, services, programs, and operations, while allowing the Foundation to engage generally in other lawful endeavors consistent with the foregoing purposes. The Foundation is organized around the following nine working groups: behavioral health; benefits and emergency assistance; education; employment and job training; families and survivors; financial literacy; homelessness and housing; legal support; and, women veterans.

Board of Directors

The Foundation is governed by its Board of Directors. The membership of the Board of Directors is prescribed in the Department of Veterans' Affairs Act (20 ILCS 2805/37). The Board of Directors is comprised of one member appointed by the Governor; one member appointed by the President of the Senate; one member appointed by the Minority Leader of the Senate; one member appointed by the Speaker of the House of Representatives; one member appointed by the Minority Leader of the House of Representatives; the Director of the Department of Veterans' Affairs; a senior member of management of the Department of Military Affairs, appointed by the Adjutant General; and one member of each Foundation working group, comprising the Foundation's Executive Committee, who are appointed by the Director of the Department of Veterans' Affairs. In addition, the Foundation's Board of Directors has ex-officio members designated by any veterans service organization represented on the Board of Directors. The Board of Directors convenes a minimum of four times each calendar year in Chicago unless otherwise stated.

As of June 30, 2016, the Foundation's Board of Directors was as follows:

Statutory Appointees:

Colonel David Leckrone
Senator Michael Hastings
Senator Dale Righter

Governor's Appointee
President of the Senate's Appointee
Minority Leader of the Senate's Appointee

ILLINOIS JOINING FORCES FOUNDATION
FUNCTIONS AND PLANNING PROGRAM (UNAUDITED)
 For the Two Years Ending June 30, 2016

Statutory Appointees (continued):

| | |
|---------------------------------|---|
| Rep. Linda Chap LaVia | Speaker of the House of Representative's Appointee |
| Mr. John De Blasio | Minority Leader of the House of Representative's Appointee |
| Colonel Joseph Schweickert | Department of Military Affairs' Appointee |
| Ms. Erica Jefferies (Secretary) | Department of Veterans' Affairs' Appointee |

Working Group Chairs:

| | |
|------------------------------------|---|
| Mr. Tom Miller (Chairperson) | Behavioral Health |
| Mr. Steven Fixler | Benefits and Emergency Assistance |
| Ms. Amy Sherman (Vice Chairperson) | Education |
| Mr. Bill Browne | Employment and Job Training |
| Ms. Kelcey Liverpool | Families, Children, and Survivors |
| Vacant | Financial Literacy |
| Vacant | Homeless and Housing |
| Mr. Jason Vail | Legal Support |
| Ms. Nicole Mandeville | Women Veterans |
| Dr. Edward Landreth | Department of Veterans' Affairs |
| Mr. Victor Lagroon | City of Chicago |
| Ms. Kristi McNichol | Illinois Association of County Veterans Assistance Commissions |
| Major General Richard Hayes | Adjutant General, Illinois National Guard |

Planning

The Foundation's main long-term goals are to provide benefits to service members, veterans, and their families by:

1. Building cross-sector relationships and mutual awareness among military and veteran support organizations through the Foundation's working groups;
2. Providing policy recommendations to the Illinois Veterans' Advisory Council and the Illinois Discharged Servicemember Task Force;
3. Facilitating the transfer of information among the Foundation's member organizations;
4. Providing a no-wrong-door web-based, online navigation platform to provide referrals for service members, veterans, and their families in need of services;
5. Educating Foundation members and other community providers regarding military and veteran culture and needs, thus improving the collective capacity of the support system;

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6. Outreaching directly to service members, veterans, and their families regarding the no-wrong-door system that will be provided to them; and,

7. Soliciting and accepting grants, donations, gifts, or bequests, and generating both public and private funding and donations to assist in enhancing the Foundation's mission, services, programs, and operations.

ILLINOIS JOINING FORCES FOUNDATION
MEMORANDUMS OF UNDERSTANDING (UNAUDITED)
 For the Two Years Ended June 30, 2016

| Parties Involved Other Than the Illinois Joining Forces Foundation | Dates Involved | Description |
|---|-----------------------|--|
| Department of Veterans' Affairs (DVA) | 2014* | To establish a formal relationship between the Illinois Joining Forces Foundation (IJFF) and DVA and to set forth a framework that constitutes "reasonable assistance" expected to be provided by DVA to IJFF as set forth in the Department of Veterans' Affairs Act (20 ILCS 2805/37). |
| Department of Military Affairs (DMA) | 2014** | To establish a formal relationship between the IJFF and DMA and to set forth a framework that constitutes "reasonable assistance" expected to be provided by DMA to IJFF as set forth in the Department of Veterans Affairs Act (20 ILCS 2805/37). |

*Initial date of the MOU was not specified. However, IJFF was established in August 2014. Certain provisions of the agreement, including DVA's payments for IJFF's website maintenance and access to DVA's conference room and phone lines, were terminated on June 30, 2015, and September 1, 2015, respectively. The remaining agreement will stay in effect until it is modified and/or terminated by the participants.

**Initial date of the MOU was not specified. However, IJFF was established in August 2014. The agreement will remain in effect until it is modified and/or terminated by the participants.

ILLINOIS JOINING FORCES FOUNDATION
SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)
For the Two Years Ended June 30, 2016

The Illinois Joining Forces Foundation's (Foundation's) mission is to serve veterans and their families in locating the assistance and resources they need in the State through a collaborative network of veteran and military serving organizations.

In the spirit of collaboration, the Foundation hosted a one-day summit in December 2015 to facilitate discussion between veteran service organizations, brainstorm thoughts and ideas about what can be done to better serve veterans and their families, and strengthen relationships through camaraderie. During this 2015 Re-Boot Summit, over 200 participants gathered in Chicago in furtherance of the Foundation's mission. The Foundation also unveiled its improved website at this event, including updates to make the website more user-friendly and add to its comprehensiveness.