

**Illinois
Conservation
Foundation**

A COMPONENT UNIT OF THE STATE
OF ILLINOIS

FINANCIAL AUDIT

FOR THE YEAR ENDED
JUNE 30, 2021

PERFORMED AS SPECIAL ASSISTANT
AUDITORS FOR THE AUDITOR
GENERAL,
STATE OF ILLINOIS

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT
For the Year Ended June 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
Foundation Officials	1
Financial Statement Report	
Summary	2
Independent Auditor’s Report	3
Management’s Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to the Basic Financial Statements	16
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 <i>Government Auditing Standards</i>	29
Schedule of Findings	
Current Finding	31
Prior Finding Not Repeated	33
Other Reports Issued Under a Separate Cover	

The Illinois Conservation Foundation’s *State Compliance Examination* for the year ended June 30, 2021, will be issued under a separate cover.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT
For the Year Ended June 30, 2021

FOUNDATION OFFICIALS

Executive Director (11/16/20 – Present)	Mr. Steve Ettinger
Executive Director (11/01/20 – 11/15/20)	Vacant
Executive Director (07/01/20 – 10/31/20)	Ms. Crystal Curfman
Operations Director (02/01/21 – Present)	Ms. Cindy Timmermann
Chief Operating Officer (11/16/20 – 01/31/21)	Vacant
Chief Operating Officer (07/01/20 – 11/15/20)	Mr. Steve Ettinger
Marketing Director* (12/01/2020 – Present)	Mr. Justin Greaves

**This position was added during the current audit period.*

GOVERNING BOARD OFFICER

Chair of the Board	Ms. Colleen Callahan
--------------------	----------------------

GOVERNING BOARD MEMBERS

Member - Secretary	Mr. Ryan Anderson
Member - Treasurer	Ms. Barbara Johnson
Member	Mr. William Cullerton Jr.
Member	Mr. Mike Ruffolo
Member	Ms. Diane Schneider
Member	Mr. Tom Bennett
Member	Mr. Trip Banks
Member	Mr. Mike Hillstrom
Member	Mr. Mick Wanless
Member	Mr. Robert Russell
Member	Vacant
Member	Vacant

FOUNDATION OFFICE

The Foundation's primary administrative office is located at:

Illinois Department of Natural Resources
1 Natural Resources Way
Springfield, IL 62702-1271

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT
For the Year Ended June 30, 2021

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Illinois Conservation Foundation (Foundation) (A Component of the State of Illinois) was performed by Roth & Company, LLP.

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

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	1	1
Repeated Findings	0	1
Prior Recommendations Implemented or Not Repeated	1	1

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Finding				
2021-001	31	New	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Significant Deficiency

Prior Finding Not Repeated

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
A	33	2020/2019	Weaknesses over Receipts Process

EXIT CONFERENCE

The Foundation waived an exit conference in a correspondence from Mr. Steve Ettinger, Executive Director, on November 24, 2021. The response to the recommendation was provided by Mr. Steve Ettinger, Executive Director, in a correspondence dated December 6, 2021.



INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Conservation Foundation

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of the Illinois Conservation Foundation (Foundation), a component unit of the State of Illinois, as of and for the year ended June 30, 2021, 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, the major fund, and the remaining fund information of the Foundation, as of June 30, 2021, and the respective changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-9 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 December 10, 2021, 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
December 10, 2021



ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

(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, 2021. The Foundation is a not-for-profit corporation created to provide additional funding for the Illinois Department of Natural Resources' (IDNR) conservation programs that either are not receiving adequate funding or cannot be implemented because State funding is not available. The specific purposes of the Foundation are to solicit and generate private funding and donations that assist in enhancing and preserving Illinois' natural habitats, historic sites, river and stream corridors, State parks, forests, and fish and wildlife areas.

Financial Highlights

- The Foundation's total assets exceeded its liabilities by \$6,995,330 (net position). Of this amount, \$1,881,338 is unrestricted and may be 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.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

(UNAUDITED)

Condensed Comparative Summary of Net Position as of June 30

	<u>2021</u>	<u>2020</u>	Increase (Decrease)
Other assets	\$ 2,726,898	\$ 2,074,675	\$ 652,223
Capital assets	4,395,265	4,466,530	(71,265)
Total Assets	<u>7,122,163</u>	<u>6,541,205</u>	<u>580,958</u>
Current liabilities	126,833	139,574	(12,741)
Total Liabilities	<u>126,833</u>	<u>139,574</u>	<u>(12,741)</u>
Net investment in capital assets	4,395,265	4,466,530	(71,265)
Restricted	718,727	523,763	194,964
Unrestricted	<u>1,881,338</u>	<u>1,411,338</u>	<u>470,000</u>
Total Net Position	<u>\$ 6,995,330</u>	<u>\$ 6,401,631</u>	<u>\$ 593,699</u>

Condensed Comparative Statement of Activities for the Year Ending June 30

	<u>2021</u>	<u>2020</u>	Increase (Decrease)
Program Revenues:			
Charges for goods and services	\$ 27,115	\$ 25,690	\$ 1,425
Operating grants and contributions	799,226	790,146	9,080
General Revenues:			
Investment earnings	541,703	11,160	530,543
Total Revenues	<u>1,368,044</u>	<u>826,996</u>	<u>541,048</u>
Expenses:			
General and administrative	366,988	477,415	(110,427)
Natural resources and recreation	493,720	903,043	(409,323)
Total Expenses	<u>860,708</u>	<u>1,380,458</u>	<u>(519,750)</u>
Other Financing Sources			
Other income	86,363	-	86,363
Total Other Income	<u>86,363</u>	<u>-</u>	<u>86,363</u>
Change in Net Position	593,699	(553,462)	1,147,161
Net Position, Beginning	<u>6,401,631</u>	<u>6,955,093</u>	<u>(553,462)</u>
Net Position, Ending	<u>\$ 6,995,330</u>	<u>\$ 6,401,631</u>	<u>\$ 593,699</u>

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

(UNAUDITED)

Overall, the financial position and results of operation have significantly increased during the year. The combined effect of the income from the forgiveness of two Paycheck Protection Program (PPP) loans during the current year under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, increase in market values of investments at the year-end, decrease in expenses to support the Blackhawk Statue restoration project due to project completion in the prior year, and decrease in administrative salaries and wages, resulted in a significant increase in net position during the year as compared to the prior fiscal year.

Analysis of Individual Funds

Within the Special Revenue Fund, revenues and other financing sources increased by \$561,491 from \$835,110 in Fiscal Year 2020 to \$1,396,601 in Fiscal Year 2021. Expenditures decreased by \$546,844 from \$1,336,137 in Fiscal Year 2020 to \$789,293 in Fiscal Year 2021. The increase in revenues is primarily due to the income from the forgiven PPP loan and increase in unrealized gains due to market fluctuations affecting the fair value of investments at the end of the fiscal year. Expenditures decreased during the fiscal year due to the completion of the Blackhawk Statue restoration project in the prior year and decrease in administrative salaries and wages.

Within the Permanent Fund, revenues increased by \$65,920 from (\$8,114) in Fiscal Year 2020 to \$57,806 in Fiscal Year 2021. The increase in revenues is mainly due to the increase in unrealized gains due to market fluctuations affecting the fair value of investments at the end of the fiscal year.

At June 30, 2021, the Foundation's governmental funds reported a combined ending fund balances of \$2,600,065, an increase of \$664,964 from the prior year combined fund balances of \$1,935,101. The increase resulted primarily from the increase in receipts and the decrease in both administrative and natural resources and recreation expenditures.

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, 2021 and June 30, 2020, were \$4,395,265 and \$4,446,530, respectively. The current year depreciation expense caused the net book value of capital assets to decrease for the fiscal year ended June 30, 2021.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

(UNAUDITED)

Economic Outlook

The negative effects of the COVID-19 pandemic lessened during Fiscal Year 2021 as compared to the previous fiscal year. This issue will continue to affect operations into the next fiscal year; however, the Foundation has developed compensating procedures in order to minimize the overall impact.

The Foundation applied and got approved for a second loan under the Paycheck Protection Program (PPP) of the United States Small Business Administration, as established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), in the current fiscal year to help with the impact of the pandemic. The Foundation used the loan in accordance with the requirements of the PPP and has been forgiven in full as of the report date.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF NET POSITION
For the Year Ended June 30, 2021

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Cash and cash equivalents	\$ 620,141
Receivables	34,381
Due from the related party	76,191
Inventory, net	15,649
Other assets	8,121
Investments	1,972,415
Capital assets, net	4,395,265
Total Assets	7,122,163
LIABILITIES:	
Accounts payable	23,324
Accrued expenses	4,942
Unearned revenues	29,330
Loan payable	69,237
Total Liabilities	126,833
NET POSITION:	
Net investment in capital assets	4,395,265
Restricted for:	
Natural resources and recreation	491,744
Endowment - nonspendable	115,219
Education	111,764
Unrestricted	1,881,338
Total Net Position	\$ 6,995,330

See accompanying notes to the financial statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	PROGRAM REVENUE			NET
EXPENSES	CHARGES FOR GOODS AND SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	REVENUE	(EXPENSE)
Environment and Business				
Regulations:				
General administrative	\$ 366,988	-	\$ 341,087	\$ (25,901)
Natural resources and recreation	493,720	27,115	458,139	(8,466)
Total Governmental Activities	\$ 860,708	\$ 27,115	\$ 799,226	\$ (34,367)
General Revenue:				
Investment earnings				541,703
Other income				86,363
Change in Net Position				593,699
Net position - Beginning				6,401,631
Net position - Ending				\$ 6,995,330

See accompanying notes to the financial statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
BALANCE SHEET - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	SPECIAL REVENUE FUND	NONMAJOR PERMANENT FUND	TOTAL
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 563,741	\$ 56,400	\$ 620,141
Receivables	34,381	-	34,381
Due from the related party	76,191	-	76,191
Inventory	15,649	-	15,649
Investments	1,801,832	170,583	1,972,415
Other assets	8,121	-	8,121
Total Assets	<u>\$ 2,499,915</u>	<u>\$ 226,983</u>	<u>\$ 2,726,898</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	23,324	-	23,324
Accrued expenses	4,942	-	4,942
Unearned revenues	29,330	-	29,330
Loan payable	69,237	-	69,237
Total Liabilities	<u>126,833</u>	<u>-</u>	<u>126,833</u>
Fund Balances:			
Nonspendable	-	115,219	115,219
Restricted:			
Natural resources and recreation	491,744	-	491,744
Education	-	111,764	111,764
Unassigned	1,881,338	-	1,881,338
Total Fund Balance	<u>2,373,082</u>	<u>226,983</u>	<u>2,600,065</u>
Total Liabilities and Fund Balances	<u>\$ 2,499,915</u>	<u>\$ 226,983</u>	<u>\$ 2,726,898</u>

See accompanying notes to the financial statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2021

Total fund balances - governmental funds	\$ 2,600,065
--	--------------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources, and, therefore, are not reported in the funds.	4,395,265
--	-----------

Net position of governmental activities	<u>\$ 6,995,330</u>
---	---------------------

See accompanying notes to the financial statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	SPECIAL REVENUE FUND	NONMAJOR PERMANENT FUND	TOTAL
REVENUES			
Donations	\$ 799,226	\$ -	\$ 799,226
Investment earnings	483,897	57,806	541,703
Merchandise sales	27,115	-	27,115
Total Revenues	<u>1,310,238</u>	<u>57,806</u>	<u>1,368,044</u>
EXPENDITURES			
Administrative	366,838	150	366,988
Natural resources and recreation	422,455	-	422,455
Total Expenditures	<u>789,293</u>	<u>150</u>	<u>789,443</u>
OTHER FINANCING SOURCES			
Other Income	86,363	-	86,363
Total Other Financing Sources	<u>86,363</u>	<u>-</u>	<u>86,363</u>
Net Change in Fund Balances	607,308	57,656	664,964
Fund Balance - Beginning	<u>1,765,774</u>	<u>169,327</u>	<u>1,935,101</u>
Fund Balance - Ending	<u>\$ 2,373,082</u>	<u>\$ 226,983</u>	<u>\$ 2,600,065</u>

See accompanying notes to the financial statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$ 664,964
Amounts reported for governmental activities in the statement of activities are different because:	
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	10,000
Depreciation expense	<u>(81,265)</u>
Change in net position of governmental activities	<u>\$ 593,699</u>

See accompanying notes to the financial statements.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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. 84, *Fiduciary Activities*; GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; GASB Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statements No. 14 and No. 61*; GASB Statement No. 93, *Replacement of Interbank Offered Rates*; and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans – an Amendment of GASB Statements No.14 and No. 84, and a supersession of GASB Statement No. 32*. The Foundation implemented these standards during the current year; however, none had any impact on the financial statements.

B. Date of Management's Review

Management has evaluated subsequent events through December 10, 2021, 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 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.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Annual Comprehensive Financial Report. For its reporting purposes, the Foundation has separate funds and government-wide financial statements and reconciles individual funds data to the 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.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation administers the following nonmajor governmental fund:

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. An allowance is recognized for reductions in inventory values, such as due to obsolescence.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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. Loan Payable

Loan Payable pertains to the loan under the Paycheck Protection Program of the U.S. Small Business Administration to provide direct incentives to small businesses to keep workers on payroll during the coronavirus crisis.

K. Contributions

Gifts of cash and other assets received are reported as unrestricted revenue and net position, unless subject to time or donor-stipulated program restrictions.

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

L. Governmental Fund Balances

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

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.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund Balance – The portion of a governmental fund’s net position that is subject to external enforceable legal restrictions. The Foundation has a fund balance that is restricted for natural resources and recreation in the Special Revenue Fund and a fund balance that is restricted for education in the Permanent Fund.

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

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

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

The Foundation funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the Foundation’s policy to first apply restricted funds to such programs, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned funds, if any.

M. Net Position

In the government-wide financial statements, net position is displayed in three components as follows:

Net Investment in capital assets – Consists of capital assets, net of accumulated depreciation.

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) a 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 “net investment in capital assets.”

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, *Items Previously Reported as Assets and Liabilities*, 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 and outflows of resources in the current year.

NOTE 2: DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents consist of two checking accounts of \$318,194 and cash in the Foundation's investment accounts of \$301,897 at June 30, 2021. The checking accounts are secured by the Federal Deposit Insurance Corporation (FDIC) coverage. Of the total cash in the Foundation's investment accounts, \$250,000 is secured by FDIC.

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 total return of at least 5% per year over the long term, net of cost. The portfolios are constructed across different U.S. asset classes (stocks, bonds and cash). The primary objective of the Foundation's asset allocation policy is to provide a

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

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.

As of June 30, 2021, 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	\$ 160,654	\$ -	\$ 160,654	\$ -	\$ -
Corporate Equity Securities	1,073,003				
Mutual Funds	605,530				
Other Investments	133,228				
Total Investments	<u>\$ 1,972,415</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, 2021, the Foundation's WAM was as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Corporate Debt Securities	\$ 160,654	0.10
Corporate Equity Securities	1,073,003	-
Mutual Funds	605,530	-
Other Investments	133,228	-
	<u>\$ 1,972,415</u>	

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 2: DEPOSITS AND INVESTMENTS (CONCLUDED)

Concentration of Credit Risk

The Foundation’s investment policy establishes asset allocation target with certain minimum and maximum constraints for each individual asset class. A portfolio rebalancing is performed to ensure compliance with the minimum and maximum constraints established for each investment asset class.

Credit Risk

The following table presents the quality ratings of debt securities held by the Foundation as of June 30, 2021.

Investment Type	Moody's Quality Rating	Fair Value
Corporate Obligations	Aa2	\$ 40,172
	A2	120,482
Total Debt Securities		<u>\$ 160,654</u>

NOTE 3: FAIR VALUE MEASUREMENT

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, 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 – Investments 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.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3: FAIR VALUE MEASUREMENT (CONCLUDED)

Fair value of the Foundation’s mutual funds is determined by the Foundation from observable market quotations as provided by the Foundation’s custodial 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, 2021:

<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Debt Securities	\$ 160,654	\$ -	\$ 160,654	\$ -
Corporate Equity Securities	1,073,003	1,073,003	-	-
Mutual Funds	605,530	605,530	-	-
Total Investments	<u>\$ 1,839,187</u>	<u>\$ 1,678,533</u>	<u>\$ 160,654</u>	<u>\$ -</u>

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. The value of the stocks as of the date of the donation was \$45,000. 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 total value of the endowment of 10,000 shares is reported as a nonmajor permanent fund as nonspendable. The unspent earnings from the endowment and subsequent sales and purchases of stock of similar value, safety, and income are reported in the same fund type as restricted for education.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 5: RELATED PARTY TRANSACTIONS

The Illinois Department Natural Resources (IDNR) provides office space, equipment, and office supplies to the Foundation, which are immaterial and are not reported in the financial statements.

IDNR, on behalf of the Foundation, also receives online and cash donations from purchasers of licenses and permits through its online system and at physical vendors and IDNR offices. During the current fiscal year, there was a transition in IDNR's service provider, and some donations received by IDNR from customers were yet to be received by the Foundation as of June 30, 2021. The total amount of receivable from IDNR as of June 30, 2021 was \$76,191.

NOTE 6: RECEIVABLES

Receivables for the year ended June 30, 2021, were as follows:

Private grants and donations	\$ 2,260
Accrued interest	2,970
Miscellaneous	29,151
Total	<u>\$ 34,381</u>

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 2,968,000	-	-	\$ 2,968,000
Total capital assets not being depreciated	<u>2,968,000</u>	<u>-</u>	<u>-</u>	<u>2,968,000</u>
Capital assets being depreciated:				
Buildings	1,793,448	-	-	1,793,448
Site improvements	174,279	-	-	174,279
Equipment	160,721	10,000	(6,806)	163,915
Total capital assets being depreciated	<u>2,128,448</u>	<u>10,000</u>	<u>(6,806)</u>	<u>2,131,642</u>
Less accumulated depreciation:				
Buildings	(516,727)	(52,865)	-	(569,592)
Site improvements	(27,144)	(5,809)	-	(32,953)
Equipment	(86,047)	(22,591)	6,806	(101,832)
Total accumulated depreciation	<u>(629,918)</u>	<u>(81,265)</u>	<u>6,806</u>	<u>(704,377)</u>
Governmental Activities - Capital Assets, Net	<u>\$ 4,466,530</u>	<u>\$ (71,265)</u>	<u>\$ -</u>	<u>\$ 4,395,265</u>

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7: CAPITAL ASSETS (CONCLUDED)

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, 2021, of \$81,265 was charged to the governmental activities on the government-wide Statement of Activities.

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: CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT
(CARES ACT)**

A. Paycheck Protection Program (PPP) Loan

The PPP, established as part of the CARES Act, provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiven will be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

On April 13, 2020, the Foundation received loan proceeds in the amount of \$66,271. The PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The loan is to be repaid in eighteen (18) equal installments of principal and interest beginning on November 13, 2020. On June 5, 2020, the PPP Flexibility Act was passed, extending the deferral of payment for an additional 10 months. This extends the beginning of the repayment of loan to September 13, 2021. On November 24, 2020, the Foundation's PPP loan has been forgiven, legally releasing the Foundation from its debt. As of June 30, 2021, this was recognized as other income.

On February 23, 2021, the Foundation received additional loan proceeds in the amount of \$69,237 under the same program. The PPP loan is payable, in principal and accrued interest, in consecutive equal monthly installments, with the first installment due on the day immediately following the expiration of the deferral period and the remaining payments due on the same day of each month thereafter. Deferral period is the period beginning on the date of disbursement of the loan and ending on the date which the amount determined to be forgiven under this loan under Section 1106 of the CARES Act is remitted by the United States Small Business Administration to the lender.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

**NOTE 8: CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT
(CARES ACT) (CONCLUDED)**

Subsequently, on August 25, 2021, the Foundation's PPP loan has been forgiven, legally releasing the Foundation from its debt. While the loan has been forgiven subsequent to year-end, the loan is classified as a financial liability as of June 30, 2021 in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires that a governmental entity shall continue to report the loan as a liability until it is legally released from debt. The Foundation will only report an inflow of resources in the reporting period to the extent that the loan has been already fully or partially forgiven.

B. Employee Retention Credits

The Foundation applied for the employee retention credits under the CARES Act, which is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. As an eligible employer, the Foundation was issued a refundable tax credit of \$20,092 as a result of its application. This amount is reported as other receivable and other income in the financial statements as of and for the year ended June 30, 2021.

NOTE 9: INCOME TAXES

The Foundation is a non-profit corporation that is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code. As such, donations made to the Foundation are deductible by the donor.

NOTE 10: 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 11: 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 Prudent 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.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 11: DONOR-RESTRICTED ENDOWMENT (CONCLUDED)

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.

NOTE 12: IMPACT OF THE CORONAVIRUS DISEASE 2019 (COVID-19)

The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. The Foundation has been consistently following and adhering to the guidance and regulations mandated by federal, state and local governments, in an effort to mitigate the spread of COVID-19. As such, the Foundation has cancelled all events, which do not fit within safety guidelines. The Foundation continues to monitor developments, including government requirements and recommendations at the national, state, and local level, and continues to adhere to such.

The Foundation's financial position, cash flows and results of operations have been impacted by COVID-19. The Foundation views that it will continue to impact its fundraising abilities, and therefore, its financial position, cash flows, and results of operations, in the fiscal year immediately following the current fiscal year. However, the Foundation is implementing new and alternative ways to compensate for the negative impact of the COVID-19, such as expanding to social media, appeal letters and raffles. Additionally, the Foundation doubles its efforts and continues to apply for grants and private funding.

As the COVID-19 pandemic is complex and rapidly evolving, Foundation's plans as described above may change. At this point, the Foundation cannot reasonably estimate the duration and severity of this pandemic, which could have a continued impact on its business, results of operations, financial position and cash flows. However, at this time, the Foundation believes that COVID-19 will not prohibit the Foundation from operating in the near future and continues to see that the Foundation will be operating in the foreseeable future.



**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

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, the major fund, and the remaining fund information of the Illinois Conservation Foundation (Foundation), a component unit of the State of Illinois, as of and for the year ended June 30, 2021, 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 December 10, 2021.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance 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 2021-001.

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.

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 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 second 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 have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2021-001 that we consider to be a significant deficiency.

Foundation's Response to the Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 10, 2021



ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDING – GOVERNMENT AUDITING STANDARDS FINDING
For the Year Ended June 30, 2021

2021-001. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers)

The Illinois Conservation Foundation (Foundation) did not timely obtain or conduct timely independent internal controls reviews over its service providers.

The Foundation entered into agreements with various service providers to assist with significant processes such as: (1) constituent relationship management, (2) credit card and online payments processing, (3) investment advisory, (4) website maintenance, and (5) virtual fundraising.

During testing of the Foundation’s five service providers, we noted the Foundation had not:

- Timely obtained and reviewed the five (100%) service providers’ System and Organization Controls (SOC) reports and tracked compliance with service levels agreed to with the service providers.
- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) relevant to its operations for the five (100%) service providers.
- Timely obtained and reviewed SOC reports for subservice providers for two of two (100%) service providers or performed alternative procedures to determine the impact on its internal control environment.

The Foundation is responsible for the design, implementation, and maintenance of internal controls related to its operations to assure its critical and confidential data are adequately safeguarded. This responsibility is not limited due to the processes being outsourced.

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 to provide assurance revenues, investments, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

In addition, the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain assurance over the entities internal controls related to the services provided. Such assurance may be obtained through SOC reports or independent reviews.

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

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDING – GOVERNMENT AUDITING STANDARDS FINDING
For the Year Ended June 30, 2021

2021-001. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers) - Continued

Without having timely obtained and reviewed a SOC report or another form of independent internal controls review, the Foundation does not have assurance the service providers' internal controls are adequate to ensure its critical and confidential data are secure and available. In addition, failure to ensure compliance with service level agreements may lend itself to inadequate services by the service providers. (Finding Code No. 2021-001)

RECOMMENDATION

We recommend the Foundation:

- Timely obtain SOC reports or perform independent reviews of internal controls associated with outsourced systems at least annually;
- Monitor and document the operation of the Complementary User Entity Controls (CUECs) relevant to the Foundation's operations; and,
- Review service level agreements with service providers to ensure applicable requirements are met.

In addition, for SOC reports with one or more subservice providers, the Foundation should:

- Either obtain and review a SOC report for each subservice provider or perform alternative procedures to satisfy the usage of each subservice provider would not impact the Foundation's internal control environment; and,
- Document its review of the SOC reports and review all significant issues with each subservice provider to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the Foundation, and any compensating controls.

FOUNDATION RESPONSE

The Foundation agrees with the recommendation. When selecting service providers, the Foundation takes into account each provider's status and reputation. The Foundation selected companies that are used nationally by non-profits of all sizes. SOC reports are available annually from each provider; however, they were not received and reviewed as soon as they were made available. The Foundation will attempt to obtain and review SOC reports as they become available in the future.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS – PRIOR FINDING NOT REPEATED
For the Year Ended June 30, 2021

A. **FINDING** (Weaknesses over Receipts Process)

During the prior audit, the Illinois Conservation Foundation (Foundation) had weaknesses over its receipts process. Specifically, we noted the Foundation did not maintain proper segregation of custody and recordkeeping duties over its receipts process, and monthly bank reconciliations prepared by the consultant were not reviewed by management.

During the current audit, our testing showed the Foundation hired an additional employee to ensure adequate segregation of duties over its receipts process. In addition, our sample testing indicated bank reconciliations were reviewed by management. (Finding Code No. 2020-001, 2019-001)