

**Illinois
Conservation
Foundation**

A COMPONENT UNIT OF THE STATE
OF ILLINOIS

FINANCIAL AUDIT

FOR THE YEAR ENDED
JUNE 30, 2022

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, 2022

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ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT
For the Year Ended June 30, 2022

FOUNDATION OFFICIALS

Executive Director (7/01/21 – Present)	Mr. Steve Ettinger
Operations Director (08/01/22 – Present)	Ms. Jenny Vaughn
Operations Director (07/01/22 – 07/31/22)	Vacant
Operations Director (07/01/21 – 06/30/22)	Ms. Cindy Timmermann
Marketing Director (07/01/21 – Present)	Mr. Justin Greaves

GOVERNING BOARD OFFICER

Chair of the Board	Ms. Colleen Callahan
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GOVERNING BOARD MEMBERS

Member - Secretary	Mr. Ryan Anderson
Member - Treasurer	Mr. William Cullerton Jr.
Member	Mr. William Trout
Member	Mr. Mike Ruffolo
Member	Mr. Tom Bennett
Member	Mr. Trip Banks
Member	Mr. Mike Hillstrom
Member	Mr. Mick Wanless
Member	Mr. Robert Russell
Member	Vacant
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, 2022

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	1	0
Prior Recommendations Implemented or Not Repeated	0	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				
2022-001	30	2021/2021	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Significant Deficiency and Noncompliance

EXIT CONFERENCE

The Foundation waived an exit conference in a correspondence from Mr. Steve Ettinger, Executive Director, on January 4, 2023. The response to the recommendation was provided by Mr. Steve Ettinger, Executive Director, in a correspondence dated January 3, 2023.



INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Conservation Foundation

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the basic financial statements. The other information comprises the Foundation Officials page but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2023, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
January 4, 2023



ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

(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, 2022. The Foundation is a not-for-profit corporation created to provide additional funding for the State of Illinois, Department of Natural Resources' (DNR) 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 \$6,804,155 (net position). Of this amount, \$1,770,821 is unrestricted and may be utilized to meet the Foundation's ongoing programs and activities.
- The decrease in net position of \$784,874 from the prior year was due to the decrease in market values of investments at year-end and increase in natural resources and recreation expenditures.

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, 2022

(UNAUDITED)

Condensed Comparative Summary of Net Position as of June 30,

	<u>2022</u>	<u>2021</u>	Increase (Decrease)
Other assets	\$ 2,521,495	\$ 2,726,898	\$ (205,403)
Capital assets	4,347,574	4,395,265	(47,691)
Total Assets	<u>6,869,069</u>	<u>7,122,163</u>	<u>(253,094)</u>
Current liabilities	64,914	126,833	(61,919)
Total Liabilities	<u>64,914</u>	<u>126,833</u>	<u>(61,919)</u>
Net investment in capital assets	4,347,574	4,395,265	(47,691)
Restricted	685,760	718,727	(32,967)
Unrestricted	1,770,821	1,881,338	(110,517)
Total Net Position	<u>\$ 6,804,155</u>	<u>\$ 6,995,330</u>	<u>\$ (191,175)</u>

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

	<u>2022</u>	<u>2021</u>	Increase (Decrease)
Program Revenues:			
Charges for goods and services	\$ 33,743	\$ 27,115	\$ 6,628
Operating grants and contributions	1,124,316	799,226	325,090
General Revenues:			
Investment earnings (losses)	(351,890)	541,703	(893,593)
Total Revenues	<u>806,169</u>	<u>1,368,044</u>	<u>(561,875)</u>
Expenses:			
General and administrative	363,141	366,988	(3,847)
Natural resources and recreation	704,303	493,720	210,583
Total Expenses	<u>1,067,444</u>	<u>860,708</u>	<u>206,736</u>
Other Financing Sources			
Other income	70,100	86,363	(16,263)
Total Other Income	<u>70,100</u>	<u>86,363</u>	<u>(16,263)</u>
Change in Net Position	(191,175)	593,699	(784,874)
Net Position, Beginning	<u>6,995,330</u>	<u>6,401,631</u>	<u>593,699</u>
Net Position, Ending	<u>\$ 6,804,155</u>	<u>\$ 6,995,330</u>	<u>\$ (191,175)</u>

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

(UNAUDITED)

Overall, the financial position and results of operation have slightly decreased during the year. The effect of decrease in market values of investments at year-end resulted in a decrease 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 decreased by \$486,912 from \$1,396,601 in Fiscal Year 2021 to \$909,689 in Fiscal Year 2022. Expenditures increased by \$291,920 from \$789,293 in Fiscal Year 2021 to \$1,081,213 in Fiscal Year 2022. The decrease in revenues is primarily due to downward market fluctuations affecting the fair value of investments at the end of the fiscal year. Expenditures increased during the fiscal year due to the combined effect of an increase in repairs expense as a result of repairs made at the Torstenson Farm due to the hail and flood damage, and an increase in administrative salaries and wages.

Within the Permanent Fund, revenues decreased by \$91,226 from \$57,806 in Fiscal Year 2021 to (\$33,420) in Fiscal Year 2022. The decrease in revenues is mainly due to the increase in unrealized losses due to market fluctuations affecting the fair value of investments at the end of the fiscal year.

At June 30, 2022, the Foundation's governmental funds reported a combined ending fund balances of \$2,456,581, a decrease of \$143,484 from the prior year combined fund balances of \$2,600,065. The decrease resulted primarily from the downward market fluctuations of investments and the increase in natural resources and recreation expenditures.

Approximately 70% 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, 2022 and June 30, 2021, were \$4,347,574 and \$4,395,265, respectively. The current year depreciation expense caused the net book value of capital assets to decrease for the fiscal year ended June 30, 2022.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

(UNAUDITED)

Economic Outlook

The negative effects of the COVID-19 pandemic lessened during Fiscal Year 2022 as compared to the previous fiscal year.

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 previous fiscal year to help with the impact of the pandemic. This second PPP loan has been forgiven in full during the current fiscal year.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
STATEMENT OF NET POSITION
For the Year Ended June 30, 2022

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Cash and cash equivalents	\$ 554,449
Receivables	11,968
Due from the related party	5,937
Inventory, net	15,795
Other assets	46,709
Investments	1,886,637
Capital assets, net	4,347,574
Total Assets	6,869,069
LIABILITIES:	
Accounts payable	59,004
Accrued expenses	5,910
Total Liabilities	64,914
NET POSITION:	
Net investment in capital assets	4,347,574
Restricted for:	
Natural resources and recreation	493,737
Endowment - nonspendable	115,219
Education	76,804
Unrestricted	1,770,821
Total Net Position	\$ 6,804,155

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, 2022

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUE</u>		<u>NET (EXPENSE) REVENUE</u>
		<u>CHARGES FOR GOODS AND SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
Environment and Business				
Regulations:				
General administrative	\$ 363,141	\$ -	\$ 357,350	\$ (5,791)
Natural resources and recreation	704,303	33,743	766,966	96,406
Total Governmental Activities	<u>\$ 1,067,444</u>	<u>\$ 33,743</u>	<u>\$ 1,124,316</u>	<u>\$ 90,615</u>
		General Revenue:		
		Investment losses		(351,890)
		Other income		70,100
				<u>70,100</u>
		Change in Net Position		(191,175)
		Net position - Beginning		<u>\$ 6,995,330</u>
		Net position - Ending		<u>\$ 6,804,155</u>

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, 2022

	<u>SPECIAL REVENUE FUND</u>	<u>NONMAJOR PERMANENT FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$ 551,023	\$ 3,426	\$ 554,449
Receivables	11,968	-	11,968
Due from the related party	5,937	-	5,937
Inventory	15,795	-	15,795
Investments	1,698,040	188,597	1,886,637
Other assets	46,709	-	46,709
Total Assets	<u>\$ 2,329,472</u>	<u>\$ 192,023</u>	<u>\$ 2,521,495</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 59,004	\$ -	\$ 59,004
Accrued expenses	5,910	-	5,910
Total Liabilities	<u>64,914</u>	<u>-</u>	<u>64,914</u>
Fund Balances:			
Nonspendable	62,504	115,219	177,723
Restricted:			
Natural resources and recreation	493,737	-	493,737
Education	-	76,804	76,804
Unassigned	1,708,317	-	1,708,317
Total Fund Balance	<u>2,264,558</u>	<u>192,023</u>	<u>2,456,581</u>
Total Liabilities and Fund Balances	<u>\$ 2,329,472</u>	<u>\$ 192,023</u>	<u>\$ 2,521,495</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, 2022

Total fund balances - governmental funds	\$ 2,456,581
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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.	4,347,574
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Net position of governmental activities	<u>\$ 6,804,155</u>
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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, 2022

	SPECIAL REVENUE FUND	NONMAJOR PERMANENT FUND	TOTAL
REVENUES			
Donations	\$ 1,124,316	\$ -	\$ 1,124,316
Investment losses	(318,470)	(33,420)	(351,890)
Merchandise sales	33,743	-	33,743
Total Revenues	<u>839,589</u>	<u>(33,420)</u>	<u>806,169</u>
EXPENDITURES			
Administrative	361,601	1,540	363,141
Natural resources and recreation	656,612	-	656,612
Total Expenditures	<u>1,018,213</u>	<u>1,540</u>	<u>1,019,753</u>
OTHER FINANCING SOURCES			
Other Income	70,100	-	70,100
Total Other Financing Sources	<u>70,100</u>	<u>-</u>	<u>70,100</u>
Net Change in Fund Balances	(108,524)	(34,960)	(143,484)
Fund Balance - Beginning	<u>2,373,082</u>	<u>226,983</u>	<u>2,600,065</u>
Fund Balance - Ending	<u>\$ 2,264,558</u>	<u>\$ 192,023</u>	<u>\$ 2,456,581</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, 2022

Net change in fund balances - total governmental funds	\$ (143,484)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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.</p>	
Capital asset purchases capitalized	45,583
Net book value of capital assets disposed	(15,453)
Depreciation expense	<u>(77,821)</u>
Change in net position of governmental activities	<u>\$ (191,175)</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, 2022

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 purposes of promoting, supporting, assisting, sustaining, and encouraging the charitable, educational, scientific and recreational programs, projects, and policies of the State of 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. 87, *Leases*; GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; GASB Statement No. 92, *Omnibus 2020*; GASB Statement No. 93, *Replacement of Interbank Offered Rates*; 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*; and GASB Statement No. 98, *The Annual Comprehensive Financial Report*. The Foundation implemented these standards during the current year; however, none had any impact on the financial statements.

B. Date of Management's Review

Management has evaluated subsequent events through January 4, 2023, 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, 2022

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 and nonmajor 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 State of 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, 2022

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, 2022

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. Pension Expense

The total amount of contributions to employees' individual retirement accounts that are defined by the plan terms as attributable to employees' services in the current period, net of forfeited amounts that are removed from employees' accounts, if any, is recorded as pension expense and presented under general and administrative expenses.

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
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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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, 2022

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

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 checking and sweep accounts of \$529,675, cash in the Foundation's investment accounts of \$24,620 and cash on hand of \$154 at June 30, 2022. All deposits are secured by the Federal Deposit Insurance Corporation (FDIC) coverage.

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
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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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, 2022, 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 Equity Securities	\$ 1,208,762	\$ -	\$ -	\$ -	\$ -
Mutual Funds	677,875	\$ -	\$ -	\$ -	\$ -
Total Investments	<u>\$ 1,886,637</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, 2022, the Foundation's WAM was as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Corporate Equity Securities	\$ 1,208,762	-
Mutual Funds	677,875	-
	<u>\$ 1,886,637</u>	

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

There are no debt securities held by the Foundation as of June 30, 2022.

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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.

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 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, 2022:

<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Equity Securities	\$ 1,208,762	\$ 1,208,762	\$ -	\$ -
Mutual Funds	677,875	677,875	-	-
Total Investments	<u>\$ 1,886,637</u>	<u>\$ 1,886,637</u>	<u>\$ -</u>	<u>\$ -</u>

ILLINOIS CONSERVATION FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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. Additionally, 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 in the 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 as restricted for education.

NOTE 5: RELATED PARTY TRANSACTIONS

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

DNR, 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 DNR offices. During the current fiscal year, cash donations received at physical vendors and DNR offices remain unremitted and are yet to be received by the Foundation as of June 30, 2022. The total amount of receivable from DNR as of June 30, 2022 was \$5,937.

NOTE 6: RECEIVABLES

Receivables for the year ended June 30, 2022, were as follows:

Private grants and donations	\$ 7,801
Miscellaneous	4,167
Total	<u>\$ 11,968</u>

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 2,968,000	\$ -	\$ -	\$ 2,968,000
Total capital assets not being depreciated	2,968,000	-	-	2,968,000
Capital assets being depreciated:				
Buildings	1,793,448	7,976	-	1,801,424
Site improvements	174,279	7,450	-	181,729
Equipment	163,915	30,157	(22,500)	171,572
Total capital assets being depreciated	2,131,642	45,583	(22,500)	2,154,725
Less accumulated depreciation:				
Buildings	(569,592)	(52,851)	-	(622,443)
Site improvements	(32,953)	(5,809)	-	(38,762)
Equipment	(101,832)	(19,161)	7,047	(113,946)
Total accumulated depreciation	(704,377)	(77,821)	7,047	(775,151)
Governmental Activities - Capital Assets, Net	<u>\$ 4,395,265</u>	<u>\$ (32,238)</u>	<u>\$ (15,453)</u>	<u>\$ 4,347,574</u>

Capital assets are being depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2022, of \$77,821 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.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

**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.

The Foundation received the second draw PPP loan of \$69,237 in Fiscal Year 2021 and was forgiven during the current year, including the accrued interest of \$863. As of June 30, 2022, PPP loan and related interest was recorded as other income.

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, 2022

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: PENSION PLAN

Plan Description

The Foundation established the Savings Incentive Match Plan for Employees Individual Retirement Accounts (SIMPLE-IRA), hereinafter referred to as the "Plan", as of July 1, 2021. The purpose of the plan is to enable eligible employees of the Foundation to save for retirement, through defined contributions that are made to an Individual Retirement Account (IRA) set up by each eligible and participating employee. The Foundation's employees are eligible to participate in the Plan upon later of July 1, 2021 or date of hire, and must establish a separate IRA for the purpose of receiving contributions under the Plan.

Forfeitures

Employee and employer contributions to SIMPLE-IRA are 100% vested – that is, the money the employee has put aside plus employer contributions and earnings from contributions cannot be forfeited.

Contributions

Under the Plan, the Foundation's eligible employees may defer part of their compensation to the Plan (hereinafter referred to as "elective deferrals"), expressed as a percentage of their compensation, up to \$14,000 for 2022 and based on applicable annual limits set by the Internal Revenue Service (IRS) for the succeeding years. The elective deferrals made by the Foundation's eligible employees could be withheld from each payroll or in a single sum, before taxes are computed and contributed to the Plan. The Foundation, as a contributing employer, will make a dollar-for-dollar match of the elective deferrals made by plan members each year, not to exceed 3% of each plan member's compensation.

Pension Expense

The Plan is considered a defined contribution pension under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The Foundation is required to recognize pension expense for the amount of contributions to employees' accounts that are defined by the plan terms as attributable to employees' services in the period. A change in the pension liability is also required to be recognized for the difference between amounts recognized in expense and amounts paid by the employer to a defined contribution pension plan. For the current fiscal year, the Foundation recognized pension expense of \$9,648, presented under general and administrative expenses. As of June 30, 2022, a pension liability of \$1,154 was recognized and presented as current liability under accrued expenses, for the difference between the amount paid by the Foundation during the year of \$8,494 and the recognized pension expense.



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, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and we have issued our report thereon dated January 4, 2023.

Report on 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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a significant deficiency.

Report on 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 2022-001.

Foundation's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the finding identified in our audit and described in the accompanying Schedule of Findings. The Foundation's response was not subjected to the other 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
January 4, 2023



ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDING – GOVERNMENT AUDITING STANDARDS FINDING
For the Year Ended June 30, 2022

2022-001. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers)

The Illinois Conservation Foundation (Foundation) lacked adequate controls over review of internal controls over its service providers.

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

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

- Obtained and reviewed the service providers’ System and Organization Controls (SOC) reports.
- Timely obtained and reviewed SOC reports for subservice providers or performed alternative procedures to determine the impact on its internal control environment.
- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) relevant to its operations.
- Ensured a requirement for an independent review was included within the contract between the Foundation and service providers.
- Developed or implemented procedures for monitoring the service providers.
- Conducted an analysis to determine the impact of noted deviations within the SOC report.

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 *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.

Additionally, 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.

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

Without adequate controls over the review of internal controls over its service providers, the Foundation does not have assurance the service providers’ internal controls are adequate to ensure its critical and confidential data are secure and available. (Finding Code No. 2022-001, 2021-001)

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDING – GOVERNMENT AUDITING STANDARDS FINDING
For the Year Ended June 30, 2022

2022-001. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers) - Continued

RECOMMENDATION

We recommend the Foundation:

- Obtain and review SOC reports or perform independent reviews of internal controls associated with outsourced systems at least annually.
- Either obtain and review SOC reports for subservice providers or perform alternative procedures to satisfy the use of the subservice providers would not impact the Foundation's internal control environment.
- Monitor and document the operation of the CUECs relevant to the Foundation's operations.
- Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.
- Develop and implement procedures for monitoring of service providers.
- Conduct an analysis to determine the impact of noted deviations within the SOC reports.

FOUNDATION RESPONSE

The Foundation accepts the recommendation and will do its best to follow the recommendation.