

**Illinois  
Conservation  
Foundation**

A COMPONENT UNIT OF THE STATE  
OF ILLINOIS

---

**FINANCIAL AUDIT**

FOR THE YEAR ENDED  
JUNE 30, 2023

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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, 2023

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Foundation Officials	1
Financial Statement Report	
Summary	2
Independent Auditor’s Report	3
Management’s Discussion and Analysis (Unaudited)	7
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

Other Reports Issued Under a Separate Cover

The Illinois Conservation Foundation’s State Compliance Examination for the two years ended June 30, 2023, 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, 2023

**FOUNDATION OFFICIALS**

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

**GOVERNING BOARD OFFICER**

Chair of the Board (01/23/23 – Present)	Ms. Natalie Finnie
Chair of the Board (01/17/23 – 01/22/23)	Vacant
Chair of the Board (07/01/22 – 01/16/23)	Ms. Colleen Callahan

**GOVERNING BOARD MEMBERS**

Member - Secretary	Mr. Ryan Anderson
Member - Treasurer	Mr. William Cullerton Jr.
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, 2023

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying financial statements of the Illinois Conservation Foundation (Foundation) (A Component Unit 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**

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

**SCHEDULE OF FINDINGS**

<b><u>Item No.</u></b>	<b><u>Page</u></b>	<b><u>Last/First Reported</u></b>	<b><u>Description</u></b>	<b><u>Finding Type</u></b>
<b>Current Finding</b>				
2023-001	31	2022/2021	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 December 5, 2023. The response to the recommendation was provided by Mr. Steve Ettinger, Executive Director, in a correspondence dated December 14, 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, 2023, 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, 2023, 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.

### ***Emphasis of Matter***

As discussed in Note 1, in Fiscal Year 2023, the Foundation adopted Governmental Accounting Standard Board's Statement No. 96, *Subscription-Based Information Technology Arrangements*. The adoption of this statement resulted in recording right-to-use subscription asset and subscription liability included within the financial statements. Our opinion is not modified with respect to this matter.

### ***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 11, 2024, 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 11, 2024



**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2023

(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, 2023. 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 \$7,047,089 (net position). Of this amount, \$1,856,385 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, liabilities, 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, 2023

(UNAUDITED)

**Condensed Comparative Statement of Net Position as of June 30,**

	<u>2023</u>	<u>2022</u>	<b>Increase (Decrease)</b>
Other assets	\$ 2,655,984	\$ 2,521,495	\$ 134,489
Capital assets and right-to-use subscription asset	4,457,230	4,347,574	109,656
Total Assets	<u>7,113,214</u>	<u>6,869,069</u>	<u>244,145</u>
Current liabilities	37,369	64,914	(27,545)
Noncurrent liabilities	28,756	-	28,756
Total Liabilities	<u>66,125</u>	<u>64,914</u>	<u>1,211</u>
Net investment in capital assets	4,408,883	4,347,574	61,309
Restricted	781,821	685,760	96,061
Unrestricted	1,856,385	1,770,821	85,564
Total Net Position	<u>\$ 7,047,089</u>	<u>\$ 6,804,155</u>	<u>\$ 242,934</u>

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

	<u>2023</u>	<u>2022</u>	<b>Increase (Decrease)</b>
Program Revenues:			
Charges for goods and services	\$ 33,730	\$ 33,743	\$ (13)
Operating grants and contributions	1,101,082	1,124,316	(23,234)
General Revenues:			
Investment income (losses)	238,781	(351,890)	590,671
Other income	35,273	70,100	(34,827)
Total Revenues	<u>1,408,866</u>	<u>876,269</u>	<u>532,597</u>
Expenses:			
General and administrative	371,675	363,141	8,534
Natural resources and recreation	794,257	704,303	89,954
Total Expenses	<u>1,165,932</u>	<u>1,067,444</u>	<u>98,488</u>
Change in Net Position	242,934	(191,175)	434,109
Net Position, Beginning	6,804,155	6,995,330	(191,175)
Net Position, Ending	<u>\$ 7,047,089</u>	<u>\$ 6,804,155</u>	<u>\$ 242,934</u>

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2023

(UNAUDITED)

Overall, the financial position and results of operation have increased during the year. The effect of increase in market values of investments at year-end resulted in an 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 \$475,236 from \$909,689 in Fiscal Year 2022 to \$1,384,925 in Fiscal Year 2023. Expenditures increased by \$207,598 from \$1,018,213 in Fiscal Year 2022 to \$1,225,811 in Fiscal Year 2023. The increase in revenues is primarily due to market fluctuations (upturn) affecting the fair value of investments at the end of the fiscal year. Expenditures increased during the fiscal year due to an increase in the funding for additional projects.

Within the Permanent Fund, revenues increased by \$57,361 from \$(33,420) in Fiscal Year 2022 to \$23,941 in Fiscal Year 2023. The increase in revenues is primarily due to market fluctuations (upturn) affecting the fair value of investments at the end of the year.

At June 30, 2023, the Foundation's governmental funds reported a combined ending balances of \$2,638,269, an increase of \$181,688 from the prior year combined fund balances of \$2,456,581. The increase resulted primarily from an increase in market value of investments.

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 accumulated over time. Governmental activities net capital assets, including right-to-use subscription asset, for the fiscal years ended June 30, 2023 and June 30, 2022, were \$4,457,230 and \$4,347,574, respectively. The net increase in capital assets is primarily due to the building improvements of the Torstenson Lodge and purchase of equipment offset by depreciation and disposal of equipment during the year.

**Economic Outlook**

The Economic Outlook continues to look positive for the next Fiscal Year. The COVID-19 pandemic of the prior years has greatly diminished and any impact during the next Fiscal Year is projected to be minimal.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**STATEMENT OF NET POSITION**  
June 30, 2023

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 492,334
Receivables	19,164
Due from the related party	11,449
Inventory, net	19,497
Prepaid expenses	17,564
Investments	1,881,379
Total current assets	2,441,387
Noncurrent assets:	
Cash and cash equivalents - restricted	4,530
Investments - restricted	210,067
Capital assets, net	4,439,936
Right-to-use subscription asset, net	17,294
Total noncurrent assets	4,671,827
<b>TOTAL ASSETS</b>	<b>7,113,214</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	11,647
Accrued expenses	6,131
Loan payable	10,335
Subscription liability	9,256
Total current liabilities	37,369
Noncurrent liabilities:	
Loan payable	21,532
Subscription liability	7,224
Total noncurrent liabilities	28,756
<b>TOTAL LIABILITIES</b>	<b>66,125</b>
<b>NET POSITION</b>	
Net investment in capital assets	4,408,883
Restricted for:	
Natural resources and recreation	567,224
Endowment - nonspendable	115,219
Education	99,378
Unrestricted	1,856,385
Total Net Position	\$ 7,047,089

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, 2023

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		NET (EXPENSE) REVENUE
		CHARGES FOR GOODS AND SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Environment and Business				
Regulations:				
General and administrative	\$ 371,675	\$ -	\$ 392,179	\$ 20,504
Natural resources and recreation	794,257	33,730	708,903	(51,624)
Total Governmental Activities	\$ 1,165,932	\$ 33,730	\$ 1,101,082	\$ (31,120)
		General revenues:		
		Investment income		238,781
		Other income		35,273
		Total general revenues:		274,054
		Change in Net Position		242,934
		Net position - Beginning		6,804,155
		Net position - Ending		\$ 7,047,089

See accompanying notes to the financial statements.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2023

	SPECIAL REVENUE FUND	NONMAJOR PERMANENT FUND	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 492,334	\$ -	\$ 492,334
Receivables	19,164	-	19,164
Other assets	17,564	-	17,564
Inventory	19,497	-	19,497
Due from related parties	11,449	-	11,449
Investments	1,881,379	-	1,881,379
Cash and cash equivalents - restricted	-	4,530	4,530
Investments - restricted	-	210,067	210,067
Total Assets	<u>\$ 2,441,387</u>	<u>\$ 214,597</u>	<u>\$ 2,655,984</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 11,647	\$ -	\$ 11,647
Accrued expenses	6,068	-	6,068
Total Liabilities	<u>\$ 17,715</u>	<u>\$ -</u>	<u>\$ 17,715</u>
<b>Fund Balances:</b>			
Nonspendable	17,564	115,219	132,783
<b>Restricted:</b>			
Natural resources and recreation	567,224	-	567,224
Education	-	99,378	99,378
Unassigned	1,838,884	-	1,838,884
Total Fund Balance	<u>2,423,672</u>	<u>214,597</u>	<u>2,638,269</u>
Total Liabilities and Fund Balances	<u>\$ 2,441,387</u>	<u>\$ 214,597</u>	<u>\$ 2,655,984</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**

June 30, 2023

Total fund balances - governmental funds \$ 2,638,269

Amounts reported for governmental activities in the  
Statement of Net Position are different because:

Capital assets and right-to-use subscription asset used in governmental activities are not current financial resources, and, therefore, are not reported in the governmental funds.

Capital assets, net	\$ 4,439,936	
Right-to-use subscription asset, net	<u>17,294</u>	4,457,230

Liabilities related to subscription arrangement are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Subscription liability	(16,480)	
Accrued interest payable	<u>(63)</u>	(16,543)

Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as liabilities within the governmental fund financial statements. All liabilities, both current and long-term, are reported on the government-wide Statement of Net Position.

Loan payable		<u>(31,867)</u>
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Net position of governmental activities	<u><u>\$ 7,047,089</u></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, 2023

	SPECIAL REVENUE FUND	NONMAJOR PERMANENT FUND	TOTAL
<b>REVENUES</b>			
Donations	\$ 1,101,082	\$ -	\$ 1,101,082
Investment income	214,840	23,941	238,781
Merchandise sales	33,730	-	33,730
Other income	35,273	-	35,273
Total Revenues	<u>1,384,925</u>	<u>23,941</u>	<u>1,408,866</u>
<b>EXPENDITURES</b>			
Administrative	370,308	1,367	371,675
Natural resources and recreation	855,503	-	855,503
Total Expenditures	<u>1,225,811</u>	<u>1,367</u>	<u>1,227,178</u>
Net Change in Fund Balances	159,114	22,574	181,688
Fund Balance - Beginning	<u>2,264,558</u>	<u>192,023</u>	<u>2,456,581</u>
Fund Balance - Ending	<u>\$ 2,423,672</u>	<u>\$ 214,597</u>	<u>\$ 2,638,269</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, 2023

Net change in fund balances - total governmental funds		\$ 181,688
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 outlays net of loan to finance capital outlays	\$ 154,342	
Depreciation expense	(92,179)	
Loss on disposal of capital assets	<u>(1,668)</u>	60,495
Governmental funds report payments related to IT software subscriptions as expenditures. However, in the Statement of Activities, the cost of those intangible assets is allocated over their subscription term and reported as amortization expense.		
IT-software subscription payments	3,417	
Amortization expense	(2,470)	
Interest on subscription liability	<u>(196)</u>	<u>751</u>
Change in net position of governmental activities		<u><u>\$ 242,934</u></u>

See accompanying notes to the financial statements.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**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. 91, *Conduit Debt Obligations*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Available Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and a portion of GASB Statement No. 99, *Omnibus 2022*. The Foundation implemented these standards during the year; however, only GASB Statement No. 96 had an impact on the financial statements.

B. Date of Management's Review

Management has evaluated subsequent events through 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 BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**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 GASB. In Fiscal Year 2013, the Illinois Office of Comptroller 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 BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**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. 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 BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Investments

The 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 mutual funds.

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. Subscription-Based Information Technology (IT) Arrangements (SBITA)

The Foundation has recorded right-to-use subscription assets as a result of implementing GASB Statement No. 96. The right to use subscription assets amounting to \$5,000 or more are initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs, less any vendor incentives received at the commencement of the subscription term, if any. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the useful life of the IT asset or subscription term. For SBITAs with a maximum possible term of 12 months or less at commencement, the Foundation recognizes expenses outright based on the provisions of the arrangement.

K. Retirement 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 retirement expense and presented under general and administrative expenses.

L. Donations

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.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. 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 in short term or long term, due to either its form or legal restrictions. The Foundation has a nonspendable fund balance in the Permanent Fund.

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

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, when needed.

**N. 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 reduced by the outstanding balances of loan or other borrowings attributable to the acquisition of those assets.

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.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Unrestricted net position – This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

O. 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.

P. 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 \$462,557, cash in the Foundation’s investment accounts of \$34,159 and cash on hand of \$148 at June 30, 2023. 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 and cash). The primary objective of the Foundation’s asset allocation policy is to provide a strategic

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)**

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, 2023, the Foundation had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>More than 10 Years</u>
Corporate Equity Securities	\$ 1,391,094	\$ -	\$ -	\$ -	\$ -
Mutual Funds	700,352	\$ -	\$ -	\$ -	\$ -
Total Investments	<u>\$ 2,091,446</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. As of June 30, 2023, the Foundation's WAM was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Corporate Equity Securities	\$ 1,391,094	-
Mutual Funds	700,352	-
	<u>\$ 2,091,446</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, 2023.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**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. Shares held in corporate equity securities are traded on national securities exchanges and are valued at the net asset value of the last business day of the fiscal year.

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, 2023:

<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Equity Securities	\$ 1,391,094	\$ 1,391,094	\$ -	\$ -
Mutual Funds	700,352	700,352	-	-
Total Investments	<u>\$ 2,091,446</u>	<u>\$ 2,091,446</u>	<u>\$ -</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.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**NOTE 4: RESTRICTED FUND BALANCE (CONTINUED)**

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 Department of 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, 2023. The total amount of receivable from DNR as of June 30, 2023 was \$11,449.

**NOTE 6: RECEIVABLES**

Receivables for the year ended June 30, 2023, were as follows:

Private grants and donations	\$	15,886
Miscellaneous		3,278
Total	\$	19,164

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**NOTE 7: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
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:				
Building and Building Improvements	1,801,424	109,359	-	1,910,783
Site improvements	181,729	-	-	181,729
Equipment	171,572	86,850	(44,892)	213,530
Total capital assets being depreciated	2,154,725	196,209	(44,892)	2,306,042
Less accumulated depreciation:				
Buildings	(622,443)	(54,143)	-	(676,586)
Site improvements	(38,762)	(6,244)	-	(45,006)
Equipment	(113,946)	(31,792)	33,224	(112,514)
Total accumulated depreciation	(775,151)	(92,179)	33,224	(834,106)
Governmental Activities - Capital Assets, Net	<u>\$ 4,347,574</u>	<u>\$ 104,030</u>	<u>\$ (11,668)</u>	<u>\$ 4,439,936</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, 2023, of \$92,179 was charged to the natural resources and recreation 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 BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**NOTE 8: SUBSCRIPTION-BASED IT ARRANGEMENT (SBITA)**

The Foundation entered into a contract for an online fundraising software. The contract qualifies as SBITA under GASB Statement No. 96 and, therefore, an intangible right-to-use subscription asset and subscription liability are recognized at the present value of the future minimum subscription payments during the subscription term. The SBITA was executed in April 2023 for a two-year term with one time payment of \$999 for essential onboarding service and virtual on-site training. The SBITA requires a monthly subscription fee of \$800 for the first two months and \$818 for the remaining twenty-two months. There are no variable payment components of the SBITA.

Right-to-use subscription asset activity for the year ended June 30, 2023, was as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amounts Due</u> <u>Within One Year</u>
Right-to-use subscription asset	\$ -	\$ 19,764	\$ -	\$ 19,764	
Less: accumulated amortization	-	(2,470)	-	(2,470)	
Total Right-to-use subscription asset, net	<u>\$ -</u>	<u>\$ 17,294</u>	<u>-</u>	<u>\$ 17,294</u>	
Subscription Liability	<u>\$ -</u>	<u>\$ 17,965</u>	<u>\$ (1,485)</u>	<u>\$ 16,480</u>	<u>\$ 9,256</u>

Maturities of the subscription liability are as follows:

For the Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2024	\$ 9,256	\$ 560	\$ 9,816
2025	<u>7,224</u>	<u>138</u>	<u>7,362</u>
<b>Total</b>	<u>\$ 16,480</u>	<u>\$ 698</u>	<u>\$ 17,178</u>

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**NOTE 9: LOAN PAYABLE**

The Foundation entered into a retail installment contract for the purchase of Case Compact Track Loader with a total value of \$84,392 during the Fiscal Year 2023. The term of the contract required a down payment of \$43,500 and fixed monthly installment payment of \$861 for 48 months starting September 1, 2022 through August 1, 2026. As of June 30, 2023, the outstanding balance on the loan was \$31,867.

Maturities of the loan are as follows:

For the Years Ending June 30,	Amount
2024	\$ 10,335
2025	10,335
2026	10,335
2027	862
<b>Total</b>	<b>\$ 31,867</b>

**NOTE 10: 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 11: 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 12: 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 BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2023

**NOTE 12: DONOR-RESTRICTED ENDOWMENT (CONTINUED)**

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 13: RETIREMENT PLAN**

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 \$15,500 for 2023 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.

*Retirement Expense*

The Plan is considered a defined contribution plan. The Foundation is required to recognize retirement 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 plan. For the current fiscal year, the Foundation recognized retirement expense of \$7,333, presented under general and administrative expenses. As of June 30, 2023, a retirement liability of \$1,113 was recognized and presented as current liability under accrued expenses, for the difference between the amount paid by the Foundation during the year of \$6,220 and the recognized retirement 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, 2023, 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 11, 2024.

**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 a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2023-001 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 2023-001.

### **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 11, 2024



**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**SCHEDULE OF FINDING – GOVERNMENT AUDITING STANDARDS FINDING**  
For the Year Ended June 30, 2023

2023-001. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers)

The Illinois Conservation Foundation (Foundation) did not have adequate controls over the 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, (2) credit card and online payments processing, (3) investment advisory, (4) website maintenance, and (5) virtual fundraising.

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

- Obtained and reviewed the System and Organization Control (SOC) report for one (25%) service provider.
- Timely obtained and reviewed SOC reports for subservice providers or performed alternative procedures to determine the impact on its internal control environment. Two service providers' (50%) SOC reports identified subservice providers.
- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) relevant to its operations for three (75%) service providers.
- Ensured a requirement for an independent review was included within the contract between the Foundation and the four (100%) service providers.
- Conducted an analysis to determine the impact of noted deviations within the SOC reports for two (50%) service providers.
- Obtained bridge letters for three (75%) service providers when SOC reports did not encompass the entire audit period.

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.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**SCHEDULE OF FINDING – GOVERNMENT AUDITING STANDARDS FINDING**  
For the Year Ended June 30, 2023

2023-001. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers) - Continued

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 issues were due to lack of expertise and experience in reviewing SOC reports.

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. 2023-001, 2022-001, 2021-001)

**RECOMMENDATION**

We recommend the Foundation:

- Obtain and review SOC reports or perform independent reviews of internal controls associated with outsourced system 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 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.
- Conduct an analysis to determine impact of noted deviations within the SOC reports.
- Obtain bridge letters when SOC reports do not cover the entire audit period.

**FOUNDATION RESPONSE**

The Foundation agrees with the finding.