

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2018

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ILLINOIS JOINING FORCES FOUNDATION
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AGENCY OFFICIALS

Executive Director (4/8/19 – Present)	Dr. Stephen Curda
Interim Executive Director (2/15/19 – 4/7/19)	Mr. Jim Dolan
Executive Director (11/18/17 – 2/14/19)	Mr. Jaime Martinez
Interim Executive Director (4/1/17 – 11/17/17)	Mr. Andrew Dillon
Executive Director (7/1/16 – 3/31/17)	Mr. Ken Barber

The Foundation's offices are located at:

100 South State Street, 4th Floor
Chicago, Illinois 60603



MANAGEMENT ASSERTION LETTER

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

November 21, 2019

Auditor General Mautino:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Joining Forces Foundation. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Illinois Joining Forces Foundation's compliance with the following assertions during the two-year period ended June 30, 2018. Based on this evaluation, we assert, based upon information known as of the date of this letter, that during the years ended June 30, 2017, and June 30, 2018, the Illinois Joining Forces Foundation has materially complied with the assertions below.

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

Yours truly,

Illinois Joining Forces Foundation

SIGNED ORIGINAL ON FILE

Dr. Stephen Curda, Executive Director

ILLINOIS JOINING FORCES FOUNDATION
 FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2018

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT’S REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	Report	Report
Findings	6	3
Repeated Findings	3	N/A*
Prior Recommendations Implemented or Not Repeated	0	N/A*

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (<i>GOVERNMENT AUDITING STANDARDS</i>)			
2018-001	10	Inadequate Financial Reporting and Controls	Material Weakness and Noncompliance
2018-002	19	Failure to Present Adequate Financial Statements and Notes	Material Weakness
2018-003	22	Inadequate Internal Control Structure	Material Weakness and Noncompliance
2018-004	26	Lack of Documentation to Substantiate Compliance with Grant Agreements	Material Weakness and Noncompliance

ILLINOIS JOINING FORCES FOUNDATION
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<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2018-005	28	Failure to Comply with Statutory Requirements	Significant Deficiency and Noncompliance
2018-006	31	Procedural Deficiencies	Significant Deficiency and Noncompliance

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

2018-001	10	Inadequate Financial Reporting and Controls	Material Weakness and Material Noncompliance
2018-002	19	Failure to Present Adequate Financial Statements and Notes	Material Weakness and Material Noncompliance
2018-003	22	Inadequate Internal Control Structure	Material Weakness and Material Noncompliance
2018-004	26	Lack of Documentation to Substantiate Compliance with Grant Agreements	Material Weakness and Material Noncompliance

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Foundation personnel at an exit conference on September 19, 2019.

Attending were:

Foundation Personnel

Dr. Stephen Curda, Executive Director
 Jim Dolan, Senior Director of Development
 Khalid Qazi, Fiscal Agent

OAG Personnel

Courtney Dzierwa, Senior Audit Manager
 Quentin Kuntzman, State Auditor
 Andrea Frazier, State Auditor

The responses to the recommendations were provided by Mr. Jim Dolan, Senior Director of Development, in a correspondence dated September 20, 2019.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Joining Forces Foundation

Compliance

We have examined the Illinois Joining Forces Foundation's compliance with the requirements listed below (specified requirements), as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2018. The management of the Illinois Joining Forces Foundation is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois Joining Forces Foundation's compliance based on our examination.

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

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

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

As described in items 2018-001 through 2018-004 in the accompanying schedule of findings, the Illinois Joining Forces Foundation did not comply with the specified requirements listed in the first paragraph of this report. Items 2018-005 and 2018-006 individually would have been regarded as significant noncompliance with the specified requirements; however, when aggregated, we determined these items constituted material noncompliance. Compliance with such requirements is necessary, in our opinion, for the Illinois Joining Forces Foundation to comply with the requirements listed in the first paragraph of this report.

In our opinion, because of the significance and pervasiveness of the noncompliance described in the preceding paragraph, the Illinois Joining Forces Foundation did not comply, in all material respects, with the specified requirements listed in the first paragraph of this report during the two years ended June 30, 2018.

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

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

Internal Control

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

Accordingly, we do not express an opinion on the effectiveness of the Illinois Joining Forces Foundation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2018-001 through 2018-004 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2018-005 and 2018-006 to be significant deficiencies.

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

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

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

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
November 21, 2019

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Joining Forces Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Illinois Joining Forces Foundation, which comprise the Statement of Financial Position, Statement of Activities, Statement of Functional Expenses, and Statement of Cash Flows of the Illinois Joining Forces Foundation, as of and for the year ended June 30, 2017, and June 30, 2018, and the related notes to the financial statements, which collectively comprise the Illinois Joining Forces Foundation's basic financial statements, and have issued our report thereon dated November 21, 2019.

Internal Control Over Financial Reporting

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

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

merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2018-001 through 2018-004, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Illinois Joining Forces Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2018-001, 2018-003, and 2018-004.

Illinois Joining Forces Foundation's Response to Findings

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
November 21, 2019

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS
For the Two Years Ended June 30, 2018

2018-001. **FINDING** (Inadequate Financial Reporting and Controls)

The Illinois Joining Forces Foundation (Foundation) did not maintain adequate documentation and records to facilitate accurate and proper financial reporting. The Foundation also did not maintain adequate control over its bank account and related financial records.

We noted the following deficiencies and inaccuracies in financial reporting:

Inaccurate and Incomplete Accounts Payable and Accrued Liabilities

During accounts payable testing, we noted the Foundation failed to record liabilities and expenses in the proper period. As a result, liabilities were understated by \$13,474 and \$19,117 and expenses were overstated by \$17,596 and \$9,070 on the Foundation's June 30, 2017, and June 30, 2018, financial statements, respectively:

- We identified three invoices, totaling \$17,800, which were improperly excluded from the Foundation's accounts payable balance on its June 30, 2016, financial statements. The Foundation made payments totaling \$17,596, related to these invoices subsequent to Fiscal Year 2016.
- We identified three invoices, totaling \$13,270, which were improperly excluded from the Foundation's accounts payable balance on its June 30, 2017, financial statements. The Foundation made payments totaling \$9,070, related to these invoices subsequent to Fiscal Year 2017.
- We identified four payments made subsequent to Fiscal Year 2018, totaling \$14,713, which were improperly excluded from the Foundation's accounts payable balance on its June 30, 2018, financial statements.

In addition, we noted three of the Foundation's vendors agreed to write-down balances owed, totaling \$12,000, during Fiscal Year 2017. The Foundation improperly adjusted its records for these write-downs by reducing its expenses, instead of recognizing implied income, resulting in a \$12,000 understatement of expenses and revenues on its June 30, 2017, financial statements. Similarly, one of the Foundation's vendors agreed to write-down select unpaid invoices totaling \$71,155 during Fiscal Year 2018. The Foundation failed to record this adjustment during Fiscal Year 2018, resulting in a \$71,155 overstatement of liabilities and a \$71,155 understatement of revenue reported on its June 30, 2018, financial statements.

Further, the June 30, 2018, account balance due to another vendor was not confirmed by a confirmation sent to the vendor. The Foundation's records showed a balance of \$24,868, while the vendor indicated an outstanding balance of \$86,447. The difference of \$61,579 is equal to an invoice that was not recorded in the

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS
For the Two Years Ended June 30, 2018

Foundation's accounting records. As a result of this omission, liabilities reported on the June 30, 2018, financial statements are understated.

Additionally, we also noted inaccurate and unsupported year-end adjusting entries to the Foundation's accrued liabilities account during Fiscal Year 2017 and Fiscal Year 2018. As a result, the auditors concluded liabilities were understated by at least \$2,565 and \$13,571 on the June 30, 2017, and June 30, 2018, financial statements, respectively. Due to a lack of supporting documentation for some adjusting entries, some additional differences may exist between the liabilities reported, our estimates, and the actual financial position of the Foundation.

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

Inaccurate and Incomplete Contributions Receivable/Promises to Give

We noted one unconditional promise to give received during Fiscal Year 2018, totaling \$114,016, was not fully recognized at the date of the promise. The Foundation recorded a receivable for the first installment totaling \$4,513; however, the rest of the funds received during Fiscal Year 2018, totaling \$87,771, were accounted for on a cash basis. As a result, revenue and contributions receivable, totaling \$21,732, were improperly excluded from the June 30, 2018, financial statements.

In addition, we noted one unconditional promise to give received during Fiscal Year 2017, totaling \$250,000, to be received over a period exceeding 12 months was improperly recorded at net realizable value as opposed to its discounted fair value. The related grant agreement referenced a payment schedule; however, the Foundation was unable to provide this schedule to the auditors. Due to the limited documentation, we were unable to quantify the adjusting entry needed to correct the June 30, 2017, and June 30, 2018, financial statements and related footnotes.

The Financial Accounting Standards Board requires receipts of unconditional promises to give with payments due in future periods to be reported as restricted support unless explicit donor stipulations or circumstances surrounding the receipt of a promise make clear that the donor intended it to be used to support activities of the current period.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS
For the Two Years Ended June 30, 2018

We also noted the Foundation failed to properly recognize receivables on receipt of the unconditional promises to give. Three of four (75%) receivables were recorded in the Foundation's accounting records between 50 days prior to and 104 days following the receipt of the unconditional promise to give from the granting or donating organization. We were unable to determine if the remaining receivable was recognized on the proper date due to a lack of supporting documentation.

Inaccurate and Unsupported Classification of Net Assets and Revenue

We were unable to trace transactions classified as unrestricted and temporarily restricted in the Foundation's financial statements due to limited documentation retained by the Foundation. The Financial Accounting Standards Board (FASB) defines unrestricted and temporarily restricted net assets. Unrestricted net assets include those net assets whose use is not restricted by donors. Temporarily restricted net assets are those net assets whose use has been limited by donors (a) to later periods of time or after a specified date, (b) to particular operating activities other than the Foundation's normal operations/general purpose, or (c) term investments or capital asset acquisitions. Pertinent details include:

- During receivables testing, we noted the Foundation recognized all revenue from unconditional promises to give as increasing in unrestricted net assets; however, supporting grant agreements and award letters provided for specific uses of funds and/or a funding period that extended beyond the fiscal year in which the promise to give was received.
- In addition, the Foundation recorded a receipt and an increase in temporarily restricted net assets during Fiscal Year 2017, totaling \$10,000. Per the Foundation's financial statements, \$8,760 of the \$10,000 remained in temporarily restricted net assets as of June 30, 2017, and \$0 remained as of June 30, 2018. The Foundation could not provide supporting documentation to substantiate these amounts.

We were also unable to determine the proper allocation of revenues by line item presented on the Foundation's June 30, 2017, and June 30, 2018, financial statements due to a lack of supporting documentation retained by the Foundation.

Inaccurate Fixed Asset Reporting

The Foundation improperly applied one wage garnishment installment, totaling \$212, to its accumulated depreciation account during Fiscal Year 2017, resulting in an overstatement of depreciation and equivalent understatement of its net equipment balance.

Further, we noted the Foundation overstated its depreciation expense by \$190 during Fiscal Year 2017 and by \$218 during Fiscal Year 2018.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS
For the Two Years Ended June 30, 2018

Inadequate Bank Account Records and Reconciliations

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

- Bank reconciliations were performed by the Foundation's independent fiscal agent. The reconciliations were not signed or dated by either the preparer or a reviewer of the reconciliation. As a result, the auditors were unable to determine the timeliness of the reconciliation, if a proper segregation of duties was maintained over the bank reconciliation process, and whether both fiscal agent staff as well as Foundation personnel were involved in the process. Despite the involvement of the independent fiscal agent, we maintain Foundation personnel and/or Board members should be actively engaged in the ongoing review of all financial records, including bank reconciliations.
- Six of 24 (25%) bank reconciliations performed by the Foundation's independent fiscal agent included outstanding checks with different check numbers than the actual check numbers related to the outstanding transactions.
- Eight of 24 (33%) bank reconciliations performed by the Foundation's independent fiscal agent included mathematically incorrect reconciling items. An amount of \$0.30 was inappropriately added to an outstanding check from April 2017 through November 2017 to reconcile the bank and book balances. The \$0.30 is the amount of interest earned during April 2017, which was not recorded in the Foundation's accounting records until December 2017.
- Four of 24 (17%) bank reconciliations performed by the Foundation's independent fiscal agent included outstanding check reconciling items that do not appear in the Foundation's accounting records and were never disbursed from the Foundation's bank account. As a result, we were unable to agree the reconciled amount for these months to the Foundation's general ledger.
- One of 24 (4%) bank reconciliations performed by the Foundation's independent fiscal agent failed to properly include an outstanding check, totaling \$2,500.
- We noted three individuals who departed from the Foundation during Fiscal Year 2018 were still listed as authorized signers on the Foundation's Bank account as of June 30, 2018.
- In addition, we noted a second bank account was in existence from February 2017 to September 2017, for which the Foundation was unable to provide any supporting documentation for, nor explain the nature and use of this account. As a result, we were unable to determine the reasonableness of the account's existence or the completeness and accuracy of the transactions that flowed through this account. It appears, based on available records, the primary

ILLINOIS JOINING FORCES FOUNDATION
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transactions in this account included the \$10,000 receipt of temporarily restricted revenues and a transfer of funds, totaling \$8,577, to the Foundation's primary bank account prior to closing the account.

Lack of Sufficient Records to Support Disbursements

The Foundation did not maintain supporting documentation for disbursements:

- The Foundation was unable to provide supporting documentation, such as original receipts or invoices, for 23 of 130 (18%) disbursements selected for testing, totaling \$27,060. Of these transactions, 12, totaling \$11,320, were expense reimbursements for Foundation employees and contractors. The only documentation available to substantiate these transactions were the expense reimbursement request forms themselves. No original receipts were provided to support the reimbursement of the employee or contractor. The remaining 11 disbursements tested, totaling \$15,740 were carried out through the use of a debit card, check, or bank account withdrawal. Receipts or invoices could not be provided by the Foundation to support these expenses.
- The Foundation did not retain copies of its cancelled checks. As a result, we were unable to verify that 83 of 130 (64%) disbursements tested, totaling \$370,532, were properly authorized.

Lack of Sufficient Records to Support Receipts

The Foundation was unable to provide supporting documentation, such as correspondence from the contributor to the Foundation, or a signed grant agreement between the two parties noting the contributed amount. As a result, we were unable to determine if the receipt of funds was complete and properly approved for nine of 22 (41%) receipts selected for testing.

Due to insufficient supporting documentation, we were also unable to:

- trace the receipt amount or confirm the completeness and accuracy of 10 of 22 (45%) receipts selected for testing, totaling \$103,242;
- determine if six of 22 (27%) receipts selected for testing, totaling \$54,773, were deposited timely and into the correct account;
- determine the date the Foundation received the funds for five of 22 (23%) receipts selected for testing, totaling \$44,773;
- determine the source(s) of the receipt amount for three of 22 (14%) receipts selected for testing, totaling \$20,137;
- determine the date of deposit or trace the deposit through the Foundation's accounting records for one of 22 (5%) receipts selected for testing, totaling \$10,000; and,
- determine the receipt of funds was complete and properly approved for nine of 22 (41%) receipts selected for testing, totaling \$153,471, as the Foundation

ILLINOIS JOINING FORCES FOUNDATION
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failed to provide a notification letter of the awarded amount from the grantor or donor, or a signed grant agreement, noting the amount of the grant.

Other Financial Reporting Deficiencies

We noted the Foundation improperly classified its disbursements and expenses:

- The Foundation misclassified \$5,749 of payroll taxes and benefits as occupancy costs on its Fiscal Year 2017 Statement of Functional Expenses.
- The Foundation misclassified \$6,618 of meals and entertainment as travel costs on its Fiscal Year 2017 Statement of Functional Expenses.
- We identified 15 of 130 (12%) disbursements tested along with five additional disbursements, collectively totaling \$71,970, of which \$8,663 was improperly applied to the incorrect expense account. Of these transactions, 11 related to payroll benefits, eight related to reimbursements to employees, and one related to professional services.
- In addition, the Foundation improperly classified \$22 of interest income as sales in its internal accounting records and as other income on its June 30, 2017, financial statements.

We noted the Foundation improperly calculated payroll expenses:

- We identified five payroll transactions during Fiscal Year 2017 that included errors in the calculated amount of gross wages, taxes, and or deductions. The errors resulted in net (under)/overstatements ranging from (\$592) to \$53.

The Foundation inconsistently reported its expenses by functional category from year to year:

- During Fiscal Year 2017, the Foundation's shipping and delivery expense general ledger account, totaling \$2,480, was included in the office supplies and expense functional expense line item. During Fiscal Year 2018, this account, totaling \$218, was included in the printing and copying functional expense line item.
- The Foundation allocated its monthly expenses made to its contracted fiscal agent during Fiscal Year 2017, totaling \$18,720, to the consultants functional expense line item on its Fiscal Year 2017 Statement of Functional Expenses. However, during Fiscal Year 2018, the Foundation allocated \$8,250 paid to its fiscal agent to the consultants functional expense line item and \$11,550 to its professional fees functional expense line item on its Fiscal Year 2018 Statement of Functional Expenses.

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We noted differences between amounts reported on the Foundation’s financial statements and its related accounting records:

- The Foundation’s cash balance and liabilities balances on its June 30, 2017, financial statements are both \$1,000 less than the amounts reported in the Foundation’s internal accounting records. This difference could not be explained with supporting documentation. As a result, the Foundation’s cash balance and accounts payable balances were understated by \$1,000 on the Foundation’s Statement of Financial Position on June 30, 2017. Further, this misstatement resulted in the Foundation’s beginning cash balance being understated, and the change in cash account payable balances being overstated by \$1,000, respectively, on its Fiscal Year 2018 Statement of Cash Flows.
- The Foundation improperly excluded cash paid for interest totaling \$522 and \$1,248 on its Fiscal Year 2017 and Fiscal Year 2018 Statement of Cash Flows, respectively.

We also noted the following:

- During disbursements testing, we noted the actual disbursements for an event made by the Foundation exceeded the invoiced costs by \$800. The Foundation was unable to explain this overpayment.
- The supporting documentation for one of 130 (1%) disbursements tested did not readily trace to the actual disbursement made. As a result, we were unable to determine the accuracy of the disbursement and whether the disbursement should have been a reduction to the Foundation’s liabilities or reported as an expense.
- One of 22 (5%) receipts selected for testing, totaling \$8,060, was not deposited timely. The funds were deposited into the Foundation’s bank account 131 days after receipt. In addition, the amount deposited did not agree to the supporting documentation provided by the Foundation.

The Internal Revenue Services’ *Compliance Guide for 501(c)(3) Public Charities (Guide)* states, “In general, a public charity must maintain books and records to show that it complies with tax rules.” The *Guide* also states:

If an organization does not keep required records, it may not be able to show that it qualifies for tax-exempt status or should be classified as a public charity. Thus, the organization may lose its tax-exempt status or be classified as a private foundation rather than a public charity.

Further, good business practices require a proper internal control structure be established to ensure the accuracy and reliability of accounting data. Additionally,

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

Foundation personnel indicated a lack of communication between Foundation management and the independent fiscal agent led to transactions, namely liabilities, receivables, and revenues, not being recorded on a timely basis and contributed to the other accounting errors noted. Foundation personnel also noted system limitations with the accounting software utilized by the independent fiscal agent contributed to errors in check numbers used to complete the monthly bank reconciliations. In addition, Foundation management acknowledged the lack of sufficient documentation and stated the documents were either not retained or were misplaced by staff. Lastly, Foundation personnel stated that failure to timely remove signature authorization was an oversight.

Failure to maintain adequate documentation and records to support the operations and activities carried out by the Foundation increases the risk that the Foundation's financial records, account balances, and financial statements contain inaccuracies whether due to fraud or error. In addition, the lack of controls over record retention and the transaction process increases the risk of fraud, abuse, or misuse of Foundation resources. The absence of required records limits the Foundation's ability to accurately prepare its financial statements and could jeopardize the Foundation's status as a public charity. (Finding Code No. 2018-001, 2016-001)

RECOMMENDATION

We recommend the Foundation take immediate action to:

- improve its recordkeeping and controls over recognizing accounts payable and accrued liabilities;
- implement procedures to ensure the relief of debt is properly recognized;
- maintain documentation for all adjustments to accrued liabilities;
- improve its communication efforts with its independent fiscal agent;
- implement procedures to properly account for unconditional promises to give and related receivables;
- maintain documentation to substantiate the classification of transactions as unrestricted or temporarily restricted;
- ensure the specific uses of funds indicated in grant agreements and award letters are documented and adhered to;
- perform periodic reviews of financial information to detect and correct posting and reporting errors;
- ensure bank reconciliations are properly performed, fully documented, and have a documented independent review;

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- ensure supporting documentation for disbursements and receipts is maintained;
- develop and consistently apply a methodology for classification of expenses on its Statement of Functional Expenses and in its other financial records; and,
- ensure receipts are deposited timely.

FOUNDATION RESPONSE

IJF acknowledges the inadequacy and is in process to implement the new processes to avoid any future finding(s). *IJF has already started working with vendors to obtain the contract/invoices on a timely basis so the financials should reflect the liabilities accurately. The new process also requires receipts before it gets reimbursed or paid to a vendor or an employee.*

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2018-002. **FINDING** (Failure to Present Adequate Financial Statements and Notes)

The Illinois Joining Forces Foundation (Foundation) failed to present adequate financial statements and related note disclosures for Fiscal Year 2017 and Fiscal Year 2018.

We noted the following discrepancies during testing:

- The Foundation did not include all required disclosures in its Notes to the Financial Statements for Fiscal Year 2017 and Fiscal Year 2018:
 - The Foundation did not include a disclosure regarding its vulnerability resulting from its concentration of limited revenue sources. We noted \$500,000 of \$520,791 (96%) of the Foundation’s Fiscal Year 2017 revenues came from four identified funding organizations. In addition, \$259,284 of \$285,807 (91%) of the Foundation’s Fiscal Year 2018 revenues came from three identified funding organizations.

Generally Accepted Accounting Principles (GAAP) require the disclosure of concentrations in the volume of business transacted with a particular grantor at the financial statement date. Such concentrations make the Foundation vulnerable to the risk of a near-term severe impact, such as the loss of a grantor or grantors.

- The Foundation did not include a related party disclosure. Related party transactions include transactions with entities whose officers or directors are members of the Foundation’s governing Board or transactions directly between the Foundation and one of its Board members. We noted the Foundation’s Board Treasurer is also the Founder and Executive Director of one of the Foundation’s major funding organizations, which contributed \$50,000 and \$75,000 to the Foundation during Fiscal Year 2017 and Fiscal Year 2018, respectively. In addition, a member of the Foundation’s Board of Directors provided a personal loan to the Foundation, totaling \$20,000 during Fiscal Year 2017.

GAAP requires the disclosure of related party transactions, including the nature of the relationship, a description of the transactions, the dollar amount of the transactions, and the amount due to or from the related parties as of the date of each statement of financial position presented.

- The Foundation did not include a disclosure regarding its operating leases during Fiscal Year 2017 and Fiscal Year 2018. The Foundation leased office space at three different locations throughout Fiscal Year 2017 and Fiscal Year 2018. Rental expense during Fiscal Year 2017 and Fiscal Year 2018 totaled \$31,294 and \$15,365, respectively.

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GAAP requires a disclosure of a general description of the Foundation's leasing arrangements and a disclosure of rental expense for each period for which a statement of activities is presented.

- The Foundation did not include a detailed disclosure related to its receivables or promises to give. The Foundation recorded four separate receivables during the Fiscal Year 2017 and Fiscal Year 2018 periods.

GAAP requires the following information be disclosed related to receivables: the amounts receivable in less than a year, in one to five years, and in more than five years; the amount of the allowance for uncollectible receivables; information regarding any unamortized discounts; and, the classification between unrestricted, temporarily restricted, and permanently restricted.

- The Foundation did not include a compensated absences disclosure. Per discussion with Foundation management, employees receive 20 vacation days and seven sick days per year, which accrue on a bi-weekly basis. Employees are allowed to carry over 75 hours of vacation time and can hold up to 150 hours of sick time. Due to a lack of documentation and records, we were unable to determine the Foundation's compliance and monitoring of, or calculate an amount of, its compensated absences.

GAAP requires either the accrual of the Foundation's compensated absences or a disclosure of the fact that an amount for compensated absences was not accrued due to the fact that the amount cannot be reasonably estimated.

- The Foundation failed to properly account for and disclose information regarding its troubled debt restructurings during Fiscal Year 2017 and Fiscal Year 2018. We identified three occurrences during Fiscal Year 2017 and one occurrence during Fiscal Year 2018, where vendors of the Foundation agreed to write-down the balance owed to them from the Foundation. The write-downs totaled \$12,000 and \$71,155 during Fiscal Year 2017 and Fiscal Year 2018, respectively. The Foundation improperly reduced its expenses rather than recognizing a realized gain due to the debt restructuring. The Foundation failed to record the \$71,155 write-down during the proper period.

GAAP requires a disclosure of the principal changes in terms and major features of the settlements, along with the aggregate gain on the restructuring of payables during each period presented in the financial statements.

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- The Foundation inconsistently allocated joint costs from year to year between its two major categories, Program Services and Management and General, on its Fiscal Year 2017 and Fiscal Year 2018 Statements of Functional Expenses. The Foundation was unable to support its methodology for classifying expenses between its two major categories. As a result, we were unable to conclude as to the reasonableness of the classifications made.

GAAP requires the statement of functional expenses to contain information in enough detail for a reader to obtain a general understanding of the nature of the Foundation's costs of carrying out its activities.

- The Foundation's June 30, 2017, and June 30, 2018, financial statements and related note disclosures contained a significant amount of grammatical, capitalization, spelling, and formatting errors which had to be corrected.
- The Foundation disclosed an interest rate of 5% in the notes to the financial statements for its line of credit; however, we noted the terms of the line of credit agreement entered into with the bank indicated a variable rate of interest.

Good business practices require a proper internal control structure to be established, including proper levels of monitoring and reviews, to help ensure the accuracy and reliability of accounting data and information presented in the financial statements and related notes.

Foundation personnel indicated a lack of communication between Foundation management and the independent fiscal agent and staff oversight led to the inadequate financial statement presentation and related note disclosure inadequacies.

Failure to prepare complete and accurate note disclosures based upon GAAP hinders the usefulness and reliability of the Foundation's financial statements. (Finding Code No. 2018-002)

RECOMMENDATION

We recommend the Foundation utilize professional tools, such as checklists, to improve the completeness and quality of its financial statements and related note disclosures. Further, the Foundation should develop and consistently apply a methodology for classifying expenses in its Statement of Functional Expenses.

FOUNDATION RESPONSE

IJF acknowledges the inadequacy and is in process to implement the new processes to avoid any future finding(s). *The future financial statements will reflect the additional notes regarding vulnerability of the Foundation.*

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2018-003. **FINDING** (Inadequate Internal Control Structure)

The personnel of the Illinois Joining Forces Foundation (Foundation) did not adhere to the Foundation’s bylaws and/or internal policies, which constituted the Foundation’s internal control structure. In addition, discrepancies existed between the Foundation’s bylaws and internal policies.

We noted the following discrepancies during testing:

- The Foundation did not maintain adequate control over contracts entered into with vendors, as described below:
 - The Foundation was unable to provide 10 contractual agreements requested, pertaining to 37 of 130 (28%) disbursements tested. These 37 disbursements totaled \$177,448.
 - Three contractual agreements tested, totaling \$130,731, pertaining to seven of 130 (5%) disbursements tested, were improperly executed by the Foundation’s executive director.
 - Three contractual agreements tested pertaining to 14 of 130 (11%) disbursements tested, totaling \$74,598, were not signed by either the Foundation or the vendor.

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

- The Foundation did not maintain adequate control over its checks and internal accounting records maintained by its independent fiscal agent, as described below:
 - The Foundation was unable to provide supporting documentation for 23 of 23 (100%) voided checks.

The Foundation’s Financial Controls Policy requires all voided checks to have “VOID” written on the face of the check, have the signature portion torn out, and to be kept on file.

- We noted 17 transactions, totaling \$34,332, where the check number noted in the Foundation’s internal accounting records did not agree to the corresponding cash disbursement’s check number per the Foundation’s bank account records.

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- We noted four instances of duplicate check numbers listed in the Foundation's internal accounting records for eight transactions, totaling \$19,073.
- We noted one transaction, totaling \$1,490, identified as a check disbursement in the Foundation's internal accounting records that was actually disbursed via a wire transfer.
- Further, three of 130 (2%) disbursements tested, totaling \$7,582, were made via a bank account withdrawal from the Foundation's Bank account. Due to the lack of supporting documentation we could not determine whether these transactions were properly approved.

The Foundation's bylaws state all disbursements of the Foundation are to be made by check.

- The Foundation did not maintain adequate control or have formal policies in place over personnel records and payroll to minimize the risk of payroll errors through miscommunication and/or lack of documentation, as described below:
 - The Foundation does not retain formal documentation of employee salaries or changes in employee salaries. As a result, we were unable to trace payroll disbursements to source documentation during disbursements testing.
 - The Foundation does not have a system or process in place to track employee attendance.
 - Payroll is automatically processed in full on a bi-weekly basis based on information verbally communicated from Foundation management to its vendor providing fiscal agent and payroll services to the Foundation.
 - Employees track their own vacation and sick time balances, and employee requests for time off are not formally documented.
- We also noted inconsistencies between the Foundation's bylaws and its internal Financial Controls Policy. The bylaws require dual approval from both the Board's treasurer and another Board member for expenses over \$5,000. However, the Financial Controls Policy limits the Executive Director's expenditure authority to disbursements of up to \$1,000 and requires dual approval for all expenses exceeding \$1,000. Per discussion with the chair of the Board, the Executive Director was later given the ability to approve expenditures of up to \$5,000; however, written documentation of this change to the Financial Controls Policy was not provided to the auditors, and we could not positively determine when this change had taken effect. As a result, we were unable to determine whether transactions were properly approved.

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

In addition, we noted the following potential situations of inurement to a private individual or organization:

- We identified two employee bonuses paid out, totaling \$10,000 and \$1,500 during Fiscal Year 2017 and Fiscal Year 2018, respectively. The Foundation was unable to provide documentation to substantiate the authorization of these bonuses.
- The Foundation utilized a debit card, linked to the Foundation’s account, to carryout various transactions. No documentation or written policy could be provided to support use of a debit card. The Foundation executed 281 transactions during Fiscal Year 2017 and Fiscal Year 2018 totaling \$22,475 with the unauthorized card. Due to a lack of receipts or other documentation, we could not determine if these transactions were proper and related to Foundation functions and business. Further, we could not determine if purchases made via the debit card constituted fringe benefits which should have been reported to the Internal Revenue Service (IRS) as compensation.

The *Compliance Guide for 501(c)(3) Public Charities (Guide)* published by the Internal Revenue Service (IRS) states:

No part of an organization’s net earnings may inure to the benefit of an insider. An insider is a person who has a personal or private interest in the activities of the organization such as an officer, director, or a key employee. This means that an organization is prohibited from allowing its income or assets to accrue to insiders. An example of prohibited inurement would include payment of unreasonable compensation to an insider. Any amount of inurement may be grounds for loss of tax-exempt status.

Further, IRS Publication 15-B, *Employer’s Tax Guide to Fringe Benefits*, states, “Any fringe benefit you provide is taxable and must be included in the recipient’s pay unless the law specifically excludes it.” Finally, IRS Publication 535, *Business Expenses*, notes reimbursements to employees for business expenses incurred is generally allowable under either an accountable plan or nonaccountable plan. In order to be under an accountable plan so reimbursements are not included as wages on the employee’s Form W-2, employees receiving reimbursements must have paid or incurred deductible expenses while performing employment services, adequately accounted for the expenses within a reasonable period of time generally defined by Publication 535 as within 60 days after the expenses were paid or incurred, and

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returned any excess reimbursements within a reasonable period of time. If the employee fails any of the tests, the employee is under a nonaccountable plan and all amounts paid as reimbursements are reported as wages on the employee's Form W-2, subject to income tax withholding, Social Security, Medicare, and unemployment taxes.

Foundation personnel indicated, as they did in the prior year, a lack of communication inhibited efforts to monitor fiscal and daily operations and implement new and updated policies. In addition, supporting documentation deficiencies resulted from the misplacing of or failure to retain documents by staff.

Failure to adhere to the Foundation's internal control structure, including both the bylaws and internal policy, makes the Foundation vulnerable to numerous risks, including but not limited to, failure to meet objectives, inaccurate financial records, and fraud. Additionally, failure to comply with the *Guide* and applicable IRS publications could result in the Foundation's loss of tax-exempt status and subject the Foundation to IRS enforcement actions. (Finding Code No. 2018-003, 2016-002)

RECOMMENDATION

We recommend the Foundation's personnel and Board meet and agree on specific internal control objectives, policies, and practices; thereafter, Board members and management should perform ongoing reviews of financial records and activities to ensure those objectives, policies, and practices are being adhered to closely and/or are updated as changes arise. In addition, the Foundation's personnel and Board should communicate openly, clearly, and frequently as to the financial and operational status of the Foundation. Finally, the Foundation should take immediate action to retain records to substantiate no inurement has occurred and reimbursements are properly accounted for under IRS Publication 535.

FOUNDATION RESPONSE

IJF acknowledges the inadequacy and is in process to implement the new processes to avoid any future finding(s). *A file of contractual agreements will be maintained and shared upon request.*

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2018-004. **FINDING** (Lack of Documentation to Substantiate Compliance with Grant Agreements)

The Illinois Joining Forces Foundation (Foundation) failed to retain documentation and records to substantiate compliance with grant agreements.

We noted the Foundation was unable to provide a signed grant agreement, detailing the provisions regarding the use of funds and any compliance reporting requirements, for nine of 11 (82%) potential grants selected for testing. For the other 2 (18%) grants selected for testing, the Foundation was able to provide a signed grant agreement; however, the Foundation was unable to provide further documentation to substantiate compliance with the provisions of the grant agreement.

The Foundation is heavily reliant upon grant funds received to continue their operations and mission. During Fiscal Year 2017, the Foundation received a total of \$384,225 in contributed monies. Of these funds, \$275,000 (72%) came from three identified grantors. During Fiscal Year 2018, the Foundation received a total of \$480,262 in contributed monies. Of these funds, \$411,284 (86%) came from four identified grantors. This dependence on a small number of funding organizations makes it imperative the Foundation retain all necessary records and documentation to ensure compliance with grant agreements and to prevent situations where the Foundation may be required to return grant funds to providing organizations due to noncompliance.

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

Foundation personnel indicated the lack of documentation was due to the Foundation being regularly engaged with its donors, providing weekly and monthly updates. Foundation personnel felt this level of communication with donors was adequate and reduced the need for formal compliance documentation.

A lack of detailed documents and records to substantiate compliance with grant agreement terms and conditions could lead to the misuse of funds and/or require the repayment of funds to the grantor. In addition, the lack of proper documentation significantly increases the risk of a material misstatement in the Foundation's financial statements. (Finding Code No. 2018-004, 2016-003)

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RECOMMENDATION

We recommend the Foundation ensure full records are maintained for each grant received, including the completed application, signed grant agreement, expense records, and any progress reports or other information required to be submitted to the grantor. Further, we recommend the Foundation’s management and Board of Directors perform ongoing reviews to ensure all terms and conditions within its grant agreements are complied with by the Foundation.

FOUNDATION RESPONSE

IJF acknowledges the inadequacy and is in process to implement the new processes to avoid any future finding(s). *IJF will maintain all documents related to a grant agreement to substantiate compliance with the provisions of the grant agreement.*

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SCHEDULE OF FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2018

2018-005. **FINDING** (Failure to Comply with Statutory Requirements)

The Illinois Joining Forces Foundation (Foundation) failed to comply with certain statutory requirements.

During testing, we requested the Foundation provide us with a listing of all donation letters sent during the examination period. In response, Foundation management identified 15 letters, but also indicated the Foundation's records show an additional 20 instances where they would have expected a letter to have been sent.

Due to these conditions, we were unable to conclude whether the Foundation's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Foundation's donation letters.

Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we performed testing and noted the following:

- 11 of 15 (73%) written notices tested, totaling \$263,350, did not include disclosure that either no goods or services were exchanged for the contribution or the goods or services exchanged with its fair value for the contribution, as required by Section VII of the Foundation's Financial Controls Policy.
- The dollar amounts specified in four of 15 (27%) written notices tested, totaling \$2,790, did not trace to the Foundation's General Ledger.
- One of 15 (7%) written notices tested did not make reference to the fact the Foundation is not subject to the provisions of the Public Funds Investment Act (30 ILCS 235) as required.

The Department of Veterans' Affairs Act (20 ILCS 2805/37(h)) requires the Foundation to provide written notice to any entity providing a gift, grant, donation, or bequest to the Foundation indicating the Foundation is not subject to the provisions of the Public Funds Investment Act (30 ILCS 235). Additionally, Internal Revenue Service Publication 1771, *Charitable Contributions: Substantiation and Disclosure Requirements*, notes that donors to a public charity cannot claim a tax deduction for any single contribution in excess of \$250 without obtaining a contemporaneous, written acknowledgment of the contribution from the recipient.

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We also noted the following conditions during testing:

- The Foundation's Treasurer did not have a fidelity or surety bond during the examination period.

The Department of Veterans' Affairs Act (20 ILCS 2805/37(g)) states, "The Treasurer shall be required to obtain a fidelity or surety bond on satisfactory terms and in sufficient amounts to protect the interests of the Foundation, the costs of which shall be reimbursed by the Foundation."

- The Foundation did not comply with the General Not For Profit Corporation Act of 1986 (Act). We noted the following:

- The Foundation moved twice and operated at three different addresses during the examination period without notifying the Secretary of State of these changes.

The Act (805 ILCS 105/105.10(b)) requires any changes in the Foundation's office address and/or registered agent be executed and filed in duplicate with the Secretary of State on forms provided by the Secretary of State. The Secretary of State has designated the Form NFP 105.10/105.20, *Statement of Change of Registered Agent and/or Registered Office*, for reporting these events.

- The voting membership of the Foundation's Board of Directors conflicts with the Department of Veterans' Affairs Act. During the examination period, the Board of Directors purported to change the membership of the Board of Directors to consist of one member each appointed by the Governor, the President of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, the Minority Leader of the House of Representatives, the Director of Veterans' Affairs, a senior member of the management of the Department of Military Affairs as designated by the Adjutant General, four civic leaders, seven task force leaders, and three government appointees. These changes have not been incorporated into either the Foundation's bylaws or the Department of Veterans' Affairs Act.

The Act (805 ILCS 105/108.10(a)) states the Foundation's Board of Directors shall be fixed by the bylaws, which may be increased or decreased by an amendment to the bylaws. Further, the Department of Veterans' Affairs Act (20 ILCS 2805/37(d)) requires the Foundation's Board of Directors consist of one member each appointed by the Governor, the President of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, the Minority Leader of the House of

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2018

Representatives, the Director of Veterans' Affairs, a senior member of the management of the Department of Military Affairs as designated by the Adjutant General, and all of the members of the Illinois Joining Forces Committee appointed by the Director of Veterans' Affairs.

The Department of Veterans' Affairs Act (20 ILCS 2805/37(e)) requires the Foundation operate within the Act's provisions.

Foundation personnel indicated these issues were due to lack of personnel and significant staff turnover.

Failure to provide contributors with consistent written notice of their donation could result in donor dissatisfaction when donors discover their donations are not eligible tax deductions and represents noncompliance with State law. Further, failure by the Foundation's Treasurer to obtain a surety or fidelity bond could result in the Foundation incurring unrecoverable losses and represents noncompliance with State law. Finally, failure to comply with the Act represents noncompliance with State law and hinders the General Assembly's ability to fix the membership of the Board of Directors. (Finding Code No. 2018-005)

RECOMMENDATION

We recommend the Foundation review all statutory mandates applicable to its operations and develop specific steps and procedures to ensure compliance, including the development of a standard letter or template to be provided to donors. Further, the Foundation should obtain a surety or fidelity bond for the Treasurer, notify the Secretary of State of any changes in its address and/or registered agent, and ensure the voting membership of the Board of Directors comports with State law, or seek a legislative remedy.

FOUNDATION RESPONSE

IJF acknowledges the inadequacy and is in process to implement the new processes to avoid any future finding(s). *A donation receipt letter has already been updated to reflect the required language.*

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2018

2018-006. **FINDING** (Procedural Deficiencies)

The Illinois Joining Forces Foundation (Foundation) did not take certain actions required by its bylaws and did not ensure planning and organizational documents were updated to reflect current operations.

We noted the following conditions during testing:

- The Foundation’s planning and organizational documents are inconsistent. Specifically, the documents are inconsistent regarding the description of the Foundation’s executive committee, working groups, and task forces. Good business practices require a periodic update of internal planning and organizational documents to promote operational efficiency and encourage adherence to legal requirements and prescribed management policies.
- The Foundation is not in compliance with its bylaws. Specifically, a periodic review of the Foundation’s conflicts of interest policy has not taken place as required by section 7.03 of the bylaws. In addition, the Board has not appointed a Freedom of Information Officer as required by section 9.03 of the bylaws.

Foundation personnel indicated these issues were caused by lack of staff and management turnover during the examination period. Foundation personnel also indicated the structure and current operations had been changed to better meet organizational needs, but these changes were not fully documented due to competing priorities for the responsible personnel.

Failure to update planning and organizational documents can create confusion and inefficiencies. Failure to review the Foundation’s conflicts of interest policy and appoint a Freedom of Information Officer represents noncompliance with the Foundation’s bylaws. (Finding Code No. 2018-006)

RECOMMENDATION

We recommend the Foundation periodically review and update its planning and organizational documents to properly reflect its operating structure. Further, the Foundation should perform the periodic review of its conflicts of interest policy and appoint a Freedom of Information Officer.

FOUNDATION RESPONSE

IJF acknowledges the inadequacy and is in process to implement the new processes to avoid any future finding(s). *The Foundation planning and organizational documents will be maintained accurately.*

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Foundation's internal control over financial reporting that they considered to be material weaknesses. The material weaknesses are described in the accompanying Schedule of Findings on pages 10-27 of this report as item 2018-001, *Inadequate Financial Reporting and Controls*, item 2018-002, *Failure to Present Adequate Financial Statements and Notes*, item 2018-003, *Inadequate Internal Control Structure*, and item 2018-004, *Lack of Documentation to Substantiate Compliance with Grant Agreements*.

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Foundation personnel at an exit conference on September 19, 2019.

Attending were:

Foundation Personnel

Dr. Stephen Curda, Executive Director
Jim Dolan, Senior Director of Development
Khalid Qazi, Fiscal Agent

OAG Personnel

Courtney Dzierwa, Senior Audit Manager
Quentin Kuntzman, State Auditor
Andrea Frazier, State Auditor

The responses to the recommendations were provided by Mr. Jim Dolan, Senior Director of Development, in a correspondence dated September 20, 2019.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Joining Forces Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Illinois Joining Forces Foundation, which comprise the Statement of Financial Position as of June 30, 2018, and June 30, 2017, and the related Statement of Activities, Statement of Functional Expenses, and Statement of Cash Flows for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion

As described in Finding 2018-001, the Illinois Joining Forces Foundation has not ensured accurate and complete accounts payable records were maintained and properly reported in its Fiscal Year 2017 and Fiscal Year 2018 financial statements. Under accounting principles generally accepted in the United States of America, the Illinois Joining Forces Foundation must report the carrying value of its obligations incurred and payable to vendors for goods and services received as of the date of its Statement of Financial Position. The amount by which this departure affects the financial statements of the Illinois Joining Forces Foundation is not reasonably determinable due to a lack of supporting documentation.

In addition, as described in Findings 2018-001, 2018-002, 2018-003, and 2018-004, the inability to provide certain requested supporting documentation and a failure to adhere to the Foundation's bylaws and internal control structure limited our ability to conclude the financial statements of the Illinois Joining Forces Foundation were fairly stated in either Fiscal Year 2017 or Fiscal Year 2018, in all material respects, which was the objective of our audit.

Adverse Opinion

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion" paragraphs, the financial statements referred to above do not present fairly the financial position of the Illinois Joining Forces Foundation, as of June 30, 2018, and June 30, 2017, or the changes in the financial position, cash flows, and functional expenses thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matters described above in the "Basis for Adverse Opinion" paragraph, it is inappropriate to, and we do not, express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019, on our consideration of the Illinois Joining Forces Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Illinois Joining Forces Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Illinois Joining Forces Foundation's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
November 21, 2019

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 3,192	\$ -	\$ -	\$ 3,192
Grants and contracts receivable	23,000	-	-	\$ 23,000
Total current assets	26,192	-	-	26,192
Noncurrent assets:				
Equipment, at cost				
less accumulated depreciation of \$3,549	2,273	-	-	2,273
Total noncurrent assets	2,273	-	-	2,273
Total assets	\$ 28,465	\$ -	\$ -	\$ 28,465
LIABILITIES AND NET ASSETS:				
Current liabilities:				
Accounts payable	\$ 171,504	\$ -	\$ -	\$ 171,504
Accrued expenses	6,894	-	-	6,894
Line of credit	-	-	-	-
Loan payable	-	-	-	-
Total current liabilities	178,398	-	-	178,398
Total liabilities	178,398	-	-	178,398
Net assets:				
Unrestricted net assets				
Net investment in equipment	2,273	-	-	2,273
Designated for programs and operations	(152,206)	-	-	(152,206)
Temporarily restricted				
Rapid Response Funds	-	-	-	-
Total net assets	(149,933)	-	-	(149,933)
Total liabilities and net assets	\$ 28,465	\$ -	\$ -	\$ 28,465

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

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 81,891	\$ 8,760	\$ -	\$ 90,651
Grants and contracts receivable	216,666	-	-	216,666
Total current assets	298,557	8,760	-	307,317
Noncurrent assets:				
Equipment, at cost				
less accumulated depreciation of \$1,717	2,798	-	-	2,798
Total noncurrent assets	2,798	-	-	2,798
Total assets	\$ 301,355	\$ 8,760	\$ -	\$ 310,115
LIABILITIES AND NET ASSETS:				
Current liabilities:				
Accounts payable	\$ 260,304	\$ -	\$ -	\$ 260,304
Accrued expenses	11,448	-	-	11,448
Line of credit	60,000	-	-	60,000
Loan payable	20,000	-	-	20,000
Total current liabilities	351,752	-	-	351,752
Total liabilities	351,752	-	-	351,752
Net assets:				
Unrestricted net assets				
Net investment in equipment	2,798	-	-	2,798
Designated for programs and operations	(53,195)	-	-	(53,195)
Temporarily restricted				
Rapid Response Funds	-	8,760	-	8,760
Total net assets	(50,397)	8,760	-	(41,637)
Total liabilities and net assets	\$ 301,355	\$ 8,760	\$ -	\$ 310,115

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

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
REVENUE:				
Public support, received directly:				
Contributions	\$ -	\$ -	\$ -	\$ -
Total public support	-	-	-	-
Other revenue:				
Grants	271,344	-	-	271,344
Program income	14,431	-	-	14,431
Interest income	32	-	-	32
Miscellaneous	-	-	-	-
Total other revenue	285,807	-	-	285,807
Net assets released from restrictions:				
Satisfaction of grant restrictions	8,760	(8,760)	-	-
Total net assets released from restrictions	8,760	(8,760)	-	-
Total public support and other revenue	\$ 294,567	\$ (8,760)	\$ -	\$ 285,807
OPERATING EXPENSES:				
Program services:				
Veterans assistance	\$ 330,964	\$ -	\$ -	\$ 330,964
Total program services	330,964	-	-	330,964
Supporting services:				
Management and general	63,139	-	-	63,139
Fundraising	-	-	-	-
Total supporting services	63,139	-	-	63,139
Total expenses	394,103	-	-	394,103
Change in net assets	(99,536)	(8,760)	-	(108,296)
Net assets, beginning of year	(50,397)	8,760	-	(41,637)
Net assets, end of year	\$ (149,933)	\$ -	\$ -	\$ (149,933)

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

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
REVENUE:				
Public support, received directly:				
Contributions	\$ -	\$ -	\$ -	\$ -
Total public support	-	-	-	-
Other revenue:				
Grants	458,060	10,000	-	468,060
Program income	52,352	-	-	52,352
Interest income	-	-	-	-
Miscellaneous	379	-	-	379
Total other revenue	510,791	10,000	-	520,791
Net assets released from restrictions:				
Satisfaction of grant restrictions	76,240	(76,240)	-	-
Total net assets released from restrictions	76,240	(76,240)	-	-
Total public support and other revenue	\$ 587,031	\$ (66,240)	\$ -	\$ 520,791
OPERATING EXPENSES:				
Program services:				
Veterans assistance	\$ 543,685	\$ -	\$ -	\$ 543,685
Total program services	543,685	-	-	543,685
Supporting services:				
Management and general	104,522	-	-	104,522
Fundraising	-	-	-	-
Total supporting services	104,522	-	-	104,522
Total expenses	648,207	-	-	648,207
Change in net assets	(61,176)	(66,240)	-	(127,416)
Net assets, beginning of year	10,779	75,000	-	85,779
Net assets, end of year	\$ (50,397)	\$ 8,760	\$ -	\$ (41,637)

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

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	Program Services		Supporting Services			TOTAL
	Veterans Assistance	Sub-Total	Management and General	Fundraising	Sub-Total	
Salaries and wages	\$ 136,444	\$ 136,444	\$ 34,111	\$ -	\$ 34,111	\$ 170,555
Payroll taxes and benefits	10,445	10,445	2,611	-	2,611	13,056
	146,889	146,889	36,722	-	36,722	183,611
Website development	-	-	-	-	-	-
Office supplies and expense	4,010	4,010	1,003	-	1,003	5,013
Telecommunications	875	875	150	-	150	1,025
Consultants	94,993	94,993	-	-	-	94,993
Occupancy	12,292	12,292	3,073	-	3,073	15,365
Interest expense	-	-	1,248	-	1,248	1,248
Insurance	-	-	654	-	654	654
Professional fees	45,561	45,561	11,390	-	11,390	56,951
Dues and subscription	-	-	709	-	709	709
Marketing and promotion	-	-	500	-	500	500
Client and supportive services	1,606	1,606	-	-	-	1,606
Printing and copying	-	-	570	-	570	570
Bank charges	-	-	1,394	-	1,394	1,394
Meals and entertainment	11,952	11,952	2,988	-	2,988	14,940
Travel	10,954	10,954	2,738	-	2,738	13,692
Total expenses before depreciation	329,132	329,132	63,139	-	63,139	392,271
Depreciation	1,832	1,832	-	-	-	1,832
TOTAL FUNCTIONAL EXPENSES	\$ 330,964	\$ 330,964	\$ 63,139	\$ -	\$ 63,139	\$ 394,103

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

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services		Supporting Services			TOTAL
	Veterans Assistance	Sub-Total	Management and General	Fundraising	Sub-Total	
Salaries and wages	\$ 118,438	\$ 118,438	\$ 29,600	\$ -	\$ 29,600	\$ 148,038
Payroll taxes and benefits	9,134	9,134	2,200	-	2,200	11,334
	<u>127,572</u>	<u>127,572</u>	<u>31,800</u>	<u>-</u>	<u>31,800</u>	<u>159,372</u>
Website development	60,796	60,796	-	-	-	60,796
Office supplies and expense	10,723	10,723	2,600	-	2,600	13,323
Telecommunications	1,301	1,301	145	-	145	1,446
Consultants	99,016	99,016	24,754	-	24,754	123,770
Occupancy	29,643	29,643	7,400	-	7,400	37,043
Interest expense	-	-	522	-	522	522
Insurance	-	-	-	-	-	-
Professional fees	173,369	173,369	23,641	-	23,641	197,010
Dues and subscription	3,877	3,877	430	-	430	4,307
Marketing and promotion	20,949	20,949	5,200	-	5,200	26,149
Client and supportive services	3,045	3,045	-	-	-	3,045
Printing and copying	2,232	2,232	248	-	248	2,480
Bank charges	-	-	1,164	-	1,164	1,164
Meals and entertainment	-	-	-	-	-	-
Travel	9,657	9,657	6,618	-	6,618	16,275
Total expenses before depreciation	<u>542,180</u>	<u>542,180</u>	<u>104,522</u>	<u>-</u>	<u>104,522</u>	<u>646,702</u>
Depreciation	<u>1,505</u>	<u>1,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,505</u>
TOTAL FUNCTIONAL EXPENSES	\$ 543,685	\$ 543,685	\$ 104,522	\$ -	\$ 104,522	\$ 648,207

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

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

(Decrease) Increase in net assets \$ (108,296)

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

 Depreciation 1,832

Change in operating assets:

 Decrease in grant receivable 193,666

 (Decrease) in accounts payable and accrued expenses (93,354)

Net cash provided by (used in) operating activities (6,152)

CASH FLOWS FROM INVESTING ACTIVITIES:

 Purchase of equipment (1,307)

Net cash provided by (used in) investing activities (1,307)

CASH FLOWS FROM FINANCING ACTIVITIES:

 Repayment of loan payable (20,000)

 Repayment of line of credit (60,000)

Net cash provided by (used in) financing activities (80,000)

Net (Decrease) Increase in cash and cash equivalents (87,459)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 90,651

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 3,192

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

 Cash paid for interest \$ -

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

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

(Decrease) Increase in net assets \$ (127,416)

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

 Depreciation 1,505

Change in operating assets:

 (Increase) in grant receivable (216,666)

 Increase in accounts payable and accrued expenses 265,355

Net cash provided by (used in) operating activities (77,222)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of equipment (2,670)

Net cash provided by (used in) investing activities (2,670)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from loan payable 20,000

Proceeds from line of credit 60,000

Net cash provided by (used in) financing activities 80,000

Net (Decrease) Increase in cash and cash equivalents 108

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 90,543

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 90,651

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest \$ -

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

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Two Years Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Significant Accounting Policies

(a) Nature of Activities

The Illinois Joining Forces Foundation (Foundation) is a statewide, public-private network of military and veteran-serving organizations. It was incorporated in 2012. It collaborates in-person and online to help service members, veterans, and their families identify and marshal resources and services available to them throughout the State.

(b) Basis of Accounting

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

(c) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Foundation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foundation's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

(d) Net Assets

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

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents, its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Two Years Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS

Temporarily Restricted Net Assets

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

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations that require the net assets to be maintained permanently by the Foundation. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Foundation did not have any permanently restricted net assets as of June 30, 2017, or June 30, 2018.

(e) Fair Value Measurements

The Foundation reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The value of all of the Foundation's assets and liabilities, which are required to be carried at fair value, are valued at quoted prices in active markets for identical assets and liabilities and, therefore, are considered Level 1 assets and liabilities.

(f) Tax Status

The Foundation is incorporated and is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the IRC. The Foundation was not classified as a private foundation during Fiscal Year 2017 or Fiscal Year 2018. Contributions to the Foundation are tax-deductible to the donors under Section 170 of the IRC. During Fiscal Year 2017 and Fiscal Year 2018, the Foundation did not incur any income tax liabilities.

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Two Years Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS

(g) Cash Equivalents

Cash equivalents are short-term, interest-bearing, highly liquid investments with original maturities of three months or less, unless the investments are held to meet restrictions of a capital or endowment nature.

(h) Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than a year are recorded at net realizable value. Contributions receivable that are expected to be collected over a period exceeding twelve months are recorded at fair value at the date of promise. That fair value is computed using technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

(i) Land, Buildings, and Equipment

Land, buildings, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computers	3 years
Furniture and fixtures	5 years

The Foundation incurred \$1,505 and \$1,832 of depreciation expense during Fiscal Year 2017 and Fiscal Year 2018, respectively.

Land, buildings, and equipment are reviewed for impairment when a significant change in an asset's use or another indicator of possible impairment is present. No impairment losses were recognized during Fiscal Year 2017 or Fiscal Year 2018.

(j) Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Two Years Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS

restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due and, therefore, are reported as temporarily restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional; that is, until all conditions on which they depend are substantially met.

(k) Revenue Recognition

The Foundation recognizes contract revenue from its contracts either on a pro-rata basis over a 12-month period, which represents the service period for certain contracts, or to the extent of expenses. Revenue recognition depends on the contract. The funding agencies may, at their discretion, request reimbursement for expenses, return of funds, or both, as a result of noncompliance by the Foundation with the terms of the grants/contracts.

(l) Expense Recognition and Allocation

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30:

	<u>2017</u>	<u>2018</u>
Checking Account	\$ 90,651	\$ 3,192
Petty Cash	<u>0</u>	<u>0</u>
Total	<u>\$ 90,651</u>	<u>\$ 3,192</u>

The Foundation maintains its cash balances in a financial institution located in Carol Stream, Illinois. The balance at the institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Two Years Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS

Note 3 – Fixed Assets

Fixed assets consisted of the following as of June 30:

	<u>2017</u>	<u>2018</u>
Furniture and Equipment	\$ 4,515	\$ 5,822
Less: Accumulated Deprecation	<u>1,717</u>	<u>3,549</u>
Total	<u>\$ 2,798</u>	<u>\$ 2,273</u>

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017, were available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Rapid Response Funds	<u>\$ 8,760</u>
Total	<u>\$ 8,760</u>

The Foundation did not have any temporarily restricted assets as of June 30, 2018.

Note 5 – Line of Credit

The Foundation has a line of credit of \$60,000 with Bridgeview Bank, which is secured by substantially all the assets of the Foundation. Interest is payable monthly at a prime rate of 5%. Net borrowing on the line of credit was \$60,000 and \$0 as of June 30, 2017, and June 30, 2018, respectively.

Note 6 – Loan Payable

On March 13, 2017, the Foundation obtained an interest-free loan of \$20,000 from a member of its Board of Directors. At June 30, 2017 the loan balance was \$20,000. As of November 1, 2017, this loan was repaid in full.

Note 7 – Subsequent Events

The Foundation has evaluated subsequent events through November 21, 2019, the date the financial statements were issued. The Foundation is not aware of any additional facts, decisions, or conditions that might be expected to have a significant effect on the financial position or the results of operations during these and future fiscal years.

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Analysis of Operations (Unaudited):

Functions and Planning Program (Unaudited)

Memorandums of Understanding (Unaudited)

Service Efforts and Accomplishments (Unaudited)

The Independent Auditor's Report that covers the Supplementary Information for State Compliance Purposes presented in the Financial Statement Report Section states that because of the significance of the matters described in items 2018-001 through 2018-004 in the accompanying schedule of findings, it is inappropriate to, and we do not, express an opinion on the supplementary information.

**ILLINOIS JOINING FORCES FOUNDATION
FUNCTIONS AND PLANNING PROGRAM
(UNAUDITED)**

For the Two Years Ending June 30, 2018

Functions

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

The purposes of the Foundation are to promote, support, assist, and sustain Foundation operations through the solicitation and acceptance of grants and private donations and to disburse them for the stated intent of the Foundation or the donor. The solicitation and generation of public and private funding and donations assist in enhancing the Foundation’s mission, services, programs, and operations, while allowing the Foundation to engage generally in other lawful endeavors consistent with the foregoing purposes. The Foundation is organized around the following seven Task Forces: Careers, Families and Survivors, Health and Wellness, Housing and Homelessness, Material Needs, Veteran Programs, and Women Veterans.

Board of Directors

The Foundation is governed by its Board of Directors, and the membership of the Board of Directors is set forth in the Department of Veterans’ Affairs Act (20 ILCS 2805/37). The Board of Directors convenes a minimum of four times each calendar year in Chicago unless otherwise stated.

As of June 30, 2018, the Foundation’s Board of Directors was as follows:

Statutory Appointees:

Colonel David Leckrone	Governor’s Appointee
Senator Michael Hastings	President of the Senate’s Appointee
Senator Dale Righter	Minority Leader of the Senate’s Appointee
Rep. Linda Chapa LaVia	Speaker of the House of Representatives’ Appointee
Mr. John DeBlasio (Treasurer)	Minority Leader of the House of Representatives’ Appointee
Dr. Steve Curda	Department of Veterans’ Affairs’ Appointee
General Richard Hayes	Department of Military Affairs’ Appointee
Command Sergeant Major Sean Carney	Department of Military Affairs’ Representative

**ILLINOIS JOINING FORCES FOUNDATION
FUNCTIONS AND PLANNING PROGRAM
(UNAUDITED)**

For the Two Years Ending June 30, 2018

Civic Leaders:

Mr. Steven Goodwin (Co-Chair)	Board of Directors
Mr. Don Cooke	Board of Directors
Mr. Michael Cassel	Board of Directors
Vacant	Board of Directors

Government Appointees:

Dr. Edward Landreth	Federal Government (United States Department of Veterans' Affairs)
Vacant	County Level Appointee
Vacant	City or Municipality Appointee

Task Force Leaders:

Mr. Kevin Smith (Co-Chair)	Careers
Ms. Modie Lavin	Families and Survivors
Vacant	Health and Wellness
Mr. David Piatek	Housing and Homelessness
Vacant	Material Needs
Vacant	Veteran Programs
Vacant	Women Veterans

Planning

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

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

**ILLINOIS JOINING FORCES FOUNDATION
FUNCTIONS AND PLANNING PROGRAM
(UNAUDITED)**

For the Two Years Ending June 30, 2018

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

**ILLINOIS JOINING FORCES FOUNDATION
MEMORANDUMS OF UNDERSTANDING
(UNAUDITED)**

For the Two Years Ended June 30, 2018

Parties Involved Other Than the Illinois Joining Forces Foundation	Dates Involved	Description
Department of Veterans' Affairs (DVA)	2014*	To establish a formal relationship between the Illinois Joining Forces Foundation (IJFF) and DVA and to set forth a framework that constitutes "reasonable assistance" expected to be provided by DVA to IJFF as set forth in the Department of Veterans' Affairs Act (20 ILCS 2805/37).
Department of Military Affairs (DMA)	2014**	To establish a formal relationship between the IJFF and DMA and to set forth a framework that constitutes "reasonable assistance" expected to be provided by DMA to IJFF as set forth in the Department of Veterans' Affairs Act (20 ILCS 2805/37).
Office of the Auditor General (OAG)	FY15/16	To conduct financial and compliance audits of IJFF in accordance with the Illinois State Auditing Act (30 ILCS 5) for the two year period ended June 30, 2016.
Office of the Auditor General (OAG)	FY17/18	To conduct financial and compliance audits of IJFF in accordance with the Illinois State Auditing Act (30 ILCS 5) for the two year period ended June 30, 2018.

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

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

ILLINOIS JOINING FORCES FOUNDATION
SERVICE EFFORTS AND ACCOMPLISHMENTS
(UNAUDITED)

For the Two Years Ending June 30, 2018

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

During the examination period, the Foundation assisted 893 clients. Services were provided to members of all five branches of the military, with service eras ranging from World War II to present. There were nearly 1,000 unique service episodes in the following assistance categories: benefits and navigation, clothing and household goods, education, employment, food assistance, health services, housing and shelter, individual and family support, legal services, money management, social enrichment, sports and recreation, transportation, and utilities. The Foundation's Call Center received 1,896 calls from January 2017 through June 30, 2018. There were also 256 requests for assistance via the Foundation's website from December 2016 through June 2018.