STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS JOINING FORCES FOUNDATION

Financial Audit
For the Year Ended June 30, 2019

Release Date: January 13, 2021

FINDINGS THIS AUDIT: 5

	New	Repeat	Total
Category 1:	**1**	**4**	**5**
Category 2:	**0**	**0**	**0**
Category 3:	**0**	**0**	**0**
TOTAL	**1**	**4**	**5**

FINDINGS LAST AUDIT: 4

AGING SCHEDULE OF REPEATED FINDINGS

Repeated Since	Category 1	Category 2	Category 3
2018	**19-2**		
2016	**19-1, 19-3, 19-4**		

INTRODUCTION

The auditors expressed an **adverse opinion** on the Foundation's basic financial statements. The Codification of Statements on Auditing Standards (AU-C § 705.09) states auditors "should express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

This digest covers the Foundation's financial audit for the year ended June 30, 2019. The Foundation's compliance examination covering the year ended June 30, 2019 will be released under a separate cover.

SYNOPSIS

- (**19-1**) The Foundation did not maintain adequate documentation and records to facilitate accurate and proper financial reporting.
- (**19-2**) The Foundation failed to present adequate financial statements and related note disclosures for Fiscal Year 2019.
- (**19-4**) The Foundation failed to retain documentation and records to substantiate compliance with grant agreements.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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. During testing, some of the more significant issues we noted included the following:

Revenue improperly accounted for

- The Foundation accounted for revenue on a cash basis during Fiscal Year 2019 rather than an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP). Specifically, we noted the following:

Revenue and contributions receivable understated

  - The Foundation received an unconditional promise to give, totaling $500,000 in the form of a grant agreement during Fiscal Year 2019. The Foundation received $375,000 of the $500,000 grant during Fiscal Year 2019. As a result, revenue and contributions receivable, totaling $125,000, were improperly excluded from the June 30, 2019, financial statements.

  - The Foundation received another unconditional promise to give, totaling $75,000 in the form of a grant agreement during Fiscal Year 2019. The Foundation did not receive any funds related to this grant during Fiscal Year 2019. As a result, revenue and contributions receivable, totaling $75,000, were improperly excluded from the June 30, 2019, financial statements.

  - During the prior examination, we identified one unconditional promise to give related to a grant agreement, for which revenue was improperly recognized on a cash basis. We noted Fiscal Year 2018 revenues and receivables were understated by $21,732 due to the improper accounting treatment. During Fiscal Year 2019, the Foundation received $21,519 related to this unconditional promise to give. As a result, revenue, totaling $21,519, was improperly included and contributions receivable, totaling $213, was improperly excluded from the June 30, 2019, financial statements.

The cumulative effect of these misstatements resulted in a $200,213 understatement of contributions receivable and a $178,481 understatement of revenues on the June 30, 2019, financial statements.

Liabilities and expenses improperly recorded

- The Foundation failed to record liabilities and expenses in the proper period. Specifically, we noted the following:

  - During the prior examination, we identified a \$61,579 understatement of the Foundation's June 30, 2018, accounts payable balance due to an unrecorded vendor invoice. During Fiscal Year 2019, the Foundation failed to make the proper adjustment by restating the beginning balance of accounts payable. Instead, the Foundation recorded the omitted payable as a current year expense. As a result, expenses totaling \$61,579, were improperly included in the June 30, 2019, financial statements.

  - One of 60 (2%) disbursements tested, totaling \$4,238, was related to an invoice received by the Foundation during Fiscal Year 2018; however, the Foundation recorded the disbursement as a current year expense. As a result, expenses, totaling \$4,238, were improperly included in the June 30, 2019, financial statements.

Adjustments not recorded

We also noted one of the Foundation's vendors agreed to write-down the balance owed by \$51,450 after June 30, 2019, but prior to the date the financial statements were available to be issued. The amount of the write-down consisted solely of expenses incurred prior to June 30, 2019. The Foundation failed to properly adjust its June 30, 2019, accounts payable balance. As a result, accounts payable, totaling \$51,450, we improperly included and other income, totaling \$51,450, was improperly excluded from the June 30, 2019, financial statements.

In addition, we identified inadequacies regarding support for disbursements and receipts, untimely deposits, and other financial reporting deficiencies. (Finding 1, pages 22-26)
This finding has been repeated since 2016.

We recommended the Foundation take immediate action to:

- improve its recordkeeping and controls over recognizing revenue and related receivables in accordance with GAAP;
- improve its recordkeeping and controls over recognizing accounts payable and related expenses in accordance with GAAP;
- implement procedures to ensure relief of debt is properly recognized;
- ensure complete supporting documentation for disbursements and receipts is maintained;
- ensure receipts are deposited timely and revenue is recognized in the proper period;

- perform periodic reviews of financial information to detect and correct posting and reporting errors; and,
- ensure Form 1099s are properly prepared and filed in accordance with federal regulations.

Foundation personnel agree

Foundation personnel generally agreed with the issues identified and indicated they have taken corrective action.

FAILURE TO PRESENT ADEQUATE FINANCIAL STATEMENTS AND NOTES

The Foundation failed to present adequate financial statements and related note disclosures for Fiscal Year 2019. Some of the more significant deficiencies we noted included the following:

Required disclosures not made

The Foundation did not include all required disclosures in its Notes to the Financial Statements for Fiscal Year 2019:

Related party transactions not disclosed

- 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 Board of transactions directly between the Foundation and one of its board members. We noted one of the Foundation's Board officers is also the Founder and Executive Director of one of the Foundation's major funding organizations, which remitted $23,000 to the Foundation during Fiscal Year 2019. In addition, one of the Foundation's board members is also the Senior Vice President of Philanthropy at one of the Foundation's major funding organizations, which remitted $375,000 to the Foundation during Fiscal Year 2019.

Restatement not properly disclosed

- The Foundation did not include a disclosure regarding its restatement of beginning net assets as noted on the Statement of Activities. The Foundation restated its beginning Net Assets balance by $71,155, due to an identified error in its previously issued financial statements. However, we noted this prior period adjustment did not account for all material misstatements in its previously issued financial statements.

In addition, the Foundation's Fiscal Year 2019 note disclosures contained inaccuracies and omissions:

Expense classification methodology not disclosed

- The Foundation did not provide a reasonably accurate disclosure of its methodology for classifying expenses between its two major categories, Program Services and Management and General as noted on its Statement of Functional Expenses. The disclosure indicates several expense categories were allocated based on square footage; however this did not appear reasonable due to the Foundation's historically frequent changing of office locations. Further, the disclosure indicates depreciation, interest expense, and insurance costs are allocated between the two major categories; however, these expenses were wholly applied to the Management and General category on the Statement of Functional Expenses. The Foundation was unable to substantiate its classification and allocation of expenses on the Statement of Functional Expenses. As a result, we were unable to conclude as to the reasonableness of the classifications made.

Concentration of limited revenue sources not initially disclosed

- The Foundation's initial disclosure regarding its vulnerability resulting from its concentration of limited revenue sources only identified one grantor; however, during testing, we identified an additional grantor that qualified as a significant contributor. Together $452,500 of $483,380 (94%) of the Foundation's total reported revenue during Fiscal Year 2019 came from these two identified grantors. In addition, the initial disclosure noted the Foundation's ability to generate resources is dependent on the economic health of the State; while partially true, the Foundation's ability to generate resources is dependent on the contributions from these significant contributors. The Notes to the Financial Statements were corrected to fix these errors.

Initial fair value measurement disclosure incomplete

- The Foundation's initial fair value measurements disclosure did not include a description of the three-level hierarchy used to value its assets and liabilities. The Notes to the Financial Statements were corrected to fix these omissions. (Finding 2, pages 27-32)

We recommended the Foundation utilize professional tools, such as checklists, to improve the completeness and quality of its financial statements and related note disclosures. Additionally, we recommended the Foundation develop and consistently apply a methodology for classifying and allocating expenses on its Statement of Functional Expenses.

Foundation personnel agree

Foundation personnel generally agreed with the issues identified and indicated they have taken corrective action.

LACK OF DOCUMENTATION TO SUBSTANTIATE COMPLIANCE WITH GRANT AGREEMENTS

The Foundation failed to retain documentation and records to substantiate compliance with grant agreements.

Signed grant agreements could not be provided

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 three of five (60%) potential grants selected for testing. For the other two (40%) 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.

Heavy reliance on grant funds to sustain operations and mission from limited funding organizations

The Foundation is heavily reliant upon grant funds received to continue their operations and mission. During Fiscal Year 2019, the Foundation received a total of $483,380 in contributed monies. Of these funds, $452,500 (94%) came from two 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. (Finding 4, pages 37-38) **This finding has been repeated since 2016.**

We recommended 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 recommended 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 personnel agree

Foundation personnel generally agreed with the issues identified and indicated they have taken corrective action.

OTHER FINDINGS

The remaining findings pertain to an inadequate internal control structure and incomplete and inconsistent board membership information. We will review the Foundation's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINION

The auditors stated the financial statements of the Foundation as of and for the year ended June 30, 2019, are not fairly stated in all material respects.

This financial audit was conducted by the Office of the Auditor General's staff.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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