

ILLINOIS JOINING FORCES FOUNDATION

FINANCIAL AUDIT

For the Year Ended June 30, 2019

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2019

TABLE OF CONTENTS

| | <u>Page</u> |
|---|--------------------|
| Foundation Officials | 1 |
| Financial Statement Report | |
| Summary | 3 |
| Independent Auditor's Report | 5 |
| Basic Financial Statements | |
| Statement of Financial Position | 8 |
| Statement of Activities | 9 |
| Statement of Functional Expenses | 10 |
| Statement of Cash Flows | 11 |
| Notes to the Financial Statements | 12 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 20 |
| Schedule of Findings | |
| Current Findings | 22 |
| Other Report Issued Under a Separate Cover | |
| The Illinois Joining Forces Foundation's <i>Compliance Examination</i> for the year ended June 30, 2019, has been issued under a separate cover. | |

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2019

FOUNDATION OFFICIALS

| | |
|--|--------------------|
| Board Chairperson (10/01/19 – Present) | Ms. Erica Borggren |
| Board Vice Chairperson (10/01/19 – Present) | Mr. John DeBlasio |
| Board Co-Chair (07/01/18 – 10/01/19) | Mr. Steve Goodwin |
| Board Co-Chair (07/01/18 – 10/01/19) | Mr. Kevin Smith |
| Executive Director (04/08/19 – Present) | Dr. Stephen Curda |
| Interim Executive Director (02/15/19 – 04/07/19) | Mr. Jim Dolan |
| Executive Director (07/01/18 – 02/14/19) | Mr. Jaime Martinez |

GOVERNING BOARD MEMBERS¹

| | |
|---|----------------------------------|
| Secretary (06/01/20 – Present) | Mr. Greg Tanacea |
| Secretary (10/01/19 – 06/01/20) | Mr. Dennis Smith |
| Secretary (07/01/18 – 10/01/19) | Mr. Paul McConville |
| Treasurer (10/01/19 – Present) | Rep. Stephanie Kifowit |
| Treasurer (07/01/18 – 10/01/19) | Mr. John DeBlasio |
| Governor Appointee (02/01/20 – Present) | Ms. Erica Borggren |
| Governor Appointee (07/01/18 – 02/01/20) | Colonel (Retired) David Leckrone |
| President of the Senate Appointee (07/01/18 – Present) | Senator Michael Hastings |
| Minority Leader of the Senate Appointee (02/01/20 – Present) | Colonel (Retired) David Leckrone |
| Minority Leader of the Senate Appointee (07/01/18 – 02/01/20) | Senator Dale Righter |
| Speaker of the House Appointee (07/01/18 – Present) | Rep. Stephanie Kifowit |
| Director, Department of Veterans' Affairs (07/01/18 – Present) | Rep. Linda Chapa LaVia |
| Minority Leader of the House Appointee (07/01/18 – Present) | Mr. John De Blasio |
| Department of Military Affairs Designee (07/01/18 – Present) | Brigadier General Richard Neely |

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2019

| | |
|---|-------------------------------------|
| Department of Military Affairs Designee Rep (07/01/18 – Present) | Command Sergeant Major Dena Bellowe |
| Civic Member (07/01/18 – Present) | Mr. Don Cooke |
| Civic Member (07/01/18 – Present) | Mr. John Schwan |
| Civic Member (07/01/18 – 10/01/19) | Ms. Roseann Darabaris |
| Civic Member (07/01/18 – 10/01/19) | Mr. Jim Hobbins |
| Task Force Leader (07/01/18 – Present) | Brigadier General Patricia Wallace |
| Task Force Leader (07/01/18 – Present) | Mr. Matt Schachman |
| Task Force Leader (07/01/18 – Present) | Mr. Richard Hayes |
| Task Force Leader (01/01/20 – Present) | Mr. John Edelman |
| Task Force Leader (07/01/18 – 10/01/19) | Ms. Modie Lavin |
| Task Force Leader (07/01/18 – 10/01/19) | Mr. David Piatek |
| Task Force Leader (07/01/18 – 10/01/19) | Mr. Dennis Smith |

FOUNDATION OFFICE

The Foundation’s primary administrative office is located at:

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

¹ The auditors were unable to determine the accuracy of the listing of Governing Board Members as provided by the Foundation (see Finding 2019-005).

ILLINOIS JOINING FORCES FOUNDATION
 FINANCIAL AUDIT
 For the Year Ended June 30, 2019

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

The auditors identified five matters involving the Foundation's internal control over financial reporting that they considered to be material weaknesses. Further, the auditors identified four noncompliance matters.

| <u>Item No.</u> | <u>Page</u> | <u>Last Reported</u> | <u>Description</u> | <u>Finding Type</u> |
|-------------------------|-------------|----------------------|--|-------------------------------------|
| CURRENT FINDINGS | | | | |
| 2019-001 | 22 | 2018 | Inadequate Financial Reporting and Controls | Material Weakness and Noncompliance |
| 2019-002 | 27 | 2018 | Failure to Present Adequate Financial Statements and Notes | Material Weakness |
| 2019-003 | 33 | 2018 | Inadequate Internal Control Structure | Material Weakness and Noncompliance |
| 2019-004 | 37 | 2018 | Lack of Documentation to Substantiate Compliance with Grant Agreements | Material Weakness and Noncompliance |
| 2019-005 | 39 | New | Incomplete and Inconsistent Board Member Information | Material Weakness and Noncompliance |

ILLINOIS JOINING FORCES FOUNDATION

FINANCIAL AUDIT

For the Year Ended June 30, 2019

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Foundation personnel at an exit conference on November 23, 2020.

Attending were:

Illinois Joining Forces Foundation

Stephen Curda, Executive Director

Brenda Osuch, Chief Operating Officer

Jim Dolan, Senior Director of Development

LaNae Edwards, Business Operations Analyst

Office of the Auditor General

Courtney Dzierwa, Senior Audit Manager

Jennifer Cicci, Senior Audit Manager

Quentin Kuntzman, Audit Supervisor

The responses to the recommendations were provided by Brenda Osuch, Chief Operating Officer, in a correspondence dated November 27, 2020.

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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 (Foundation), which comprise the Statement of Financial Position as of June 30, 2019, and the related Statement of Activities, Statement of Functional Expenses, and Statement of Cash Flows for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion

As described in Finding 2019-001, the Foundation has not ensured accurate and complete accounts payable and contributions receivable records were maintained and properly reported in its Fiscal Year 2019 financial statements. Under accounting principles generally accepted in the United States of America, the Foundation must report the carrying value of its obligations incurred and payable to vendors for goods and services received and the value all unconditional promises to give received as of the date of its Statement of Financial Position, respectively. The amount by which these departures affect the financial statements of the Foundation is not reasonably determinable due to a lack of supporting documentation and overall inadequate revenue and expense recognition practices by the Foundation.

In addition, as described in Findings 2019-001 through 2019-005, the inability to provide certain requested documentation and failure to adhere to the Foundation's bylaws and internal control structure limited our ability to conclude the Foundation's Fiscal Year 2019 financial statements were fairly stated, 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 Foundation as of June 30, 2019, or the changes in financial position, cash flows, and functional expenses thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in Fiscal Year 2019, the Foundation adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Additionally, as noted on the Foundation's Statement of Activities, in Fiscal Year 2019, the Foundation's beginning net assets balance was restated to correct a material misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
December 22, 2020

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | TOTAL |
|--|-------------------------------|----------------------------|------------|
| ASSETS: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 3,446 | \$ 125,000 | \$ 128,446 |
| Grants and contracts receivable | - | - | - |
| Total current assets | 3,446 | 125,000 | 128,446 |
| Noncurrent assets: | | | |
| Equipment, at cost | | | |
| less accumulated depreciation of \$5,181 | 2,041 | - | 2,041 |
| Total noncurrent assets | 2,041 | - | 2,041 |
| Total assets | \$ 5,487 | \$ 125,000 | \$ 130,487 |
| LIABILITIES AND NET ASSETS: | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 212,144 | \$ - | \$ 212,144 |
| Accrued expenses | 14,309 | - | 14,309 |
| Line of credit | 59,994 | - | 59,994 |
| Loan payable | - | - | - |
| Total current liabilities | 286,447 | - | 286,447 |
| Total liabilities | 286,447 | - | 286,447 |
| Net assets: | | | |
| Without donor restrictions | | | |
| Net investment in equipment | 2,041 | - | 2,041 |
| Designated for programs and operations | (283,001) | - | (283,001) |
| With donor restrictions | | | |
| Restricted for future periods | | 125,000 | 125,000 |
| Total net assets | (280,960) | 125,000 | (155,960) |
| Total liabilities and net assets | \$ 5,487 | \$ 125,000 | \$ 130,487 |

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

ILLINOIS JOINING FORCES FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | TOTAL |
|---|-------------------------------|----------------------------|------------------|
| REVENUE: | | | |
| Public support, received directly: | | | |
| Contributions | \$ - | \$ - | \$ - |
| Total public support | - | - | - |
| Other revenue: | | | |
| Grants | 106,019 | 375,000 | 481,019 |
| Program income | 2,315 | - | 2,315 |
| Interest income | 46 | - | 46 |
| Miscellaneous | - | - | - |
| Total other revenue | 108,380 | 375,000 | 483,380 |
| Net assets released from restrictions: | | | |
| Satisfaction of grant restrictions | 250,000 | (250,000) | - |
| Total net assets released from restrictions | 250,000 | (250,000) | - |
| Total public support and other revenue | \$ 358,380 | \$ 125,000 | \$ 483,380 |
| OPERATING EXPENSES: | | | |
| Program services: | | | |
| Statewide resource navigation services | \$ 504,011 | \$ - | \$ 504,011 |
| Total program services | 504,011 | - | 504,011 |
| Supporting services: | | | |
| Management and general | 56,551 | - | 56,551 |
| Fundraising | - | - | - |
| Total supporting services | 56,551 | - | 56,551 |
| Total expenses | 560,562 | - | 560,562 |
| Change in net assets | (202,182) | 125,000 | (77,182) |
| Net assets, beginning of year | (149,933) | - | (149,933) |
| Prior period adjustment | 71,155 | - | 71,155 |
| Net assets, beginning of year as restated | (78,778) | - | (78,778) |
| Net assets, end of year | \$ (280,960) | \$ 125,000 | \$ (155,960) |

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, 2019

| | Program Services | | Supporting Services | | | TOTAL |
|------------------------------------|--|--------------------------|-------------------------|-----------------|-------------------------|--------------------------|
| | Statewide Resource Navigation Services | Sub-Total | Management and General | Fundraising | Sub-Total | |
| Salaries and wages | \$ 259,991 | \$ 259,991 | \$ 23,577 | - | \$ 23,577 | \$ 283,568 |
| Payroll taxes and benefits | 19,889 | 19,889 | 1,804 | - | 1,804 | 21,693 |
| | <u>279,880</u> | <u>279,880</u> | <u>25,381</u> | <u>-</u> | <u>25,381</u> | <u>305,261</u> |
| Office supplies and expense | 309 | 309 | 72 | - | 72 | 381 |
| Telecommunications | 1,690 | 1,690 | 188 | - | 188 | 1,878 |
| Consultants | 28,500 | 28,500 | - | - | - | 28,500 |
| Occupancy | 15,979 | 15,979 | 1,775 | - | 1,775 | 17,754 |
| Interest expense | - | - | 3,782 | - | 3,782 | 3,782 |
| Insurance | - | - | 1,750 | - | 1,750 | 1,750 |
| Professional fees | 33,418 | 33,418 | 19,820 | - | 19,820 | 53,238 |
| Dues and subscriptions | - | - | 50 | - | 50 | 50 |
| Marketing and promotion | 8,114 | 8,114 | - | - | - | 8,114 |
| Client supportive services | 300 | 300 | - | - | - | 300 |
| Printing and copying | 743 | 743 | - | - | - | 743 |
| Postage and delivery | - | - | 353 | - | 353 | 353 |
| Bank charges | - | - | 1,536 | - | 1,536 | 1,536 |
| Meals and entertainment | 5,607 | 5,607 | - | - | - | 5,607 |
| Travel | 6,442 | 6,442 | - | - | - | 6,442 |
| Website development | 123,029 | 123,029 | - | - | - | 123,029 |
| Total expenses before depreciation | <u>504,011</u> | <u>504,011</u> | <u>54,707</u> | <u>-</u> | <u>54,707</u> | <u>558,718</u> |
| Depreciation | - | - | 1,844 | - | 1,844 | 1,844 |
| TOTAL FUNCTIONAL EXPENSES | <u><u>\$ 504,011</u></u> | <u><u>\$ 504,011</u></u> | <u><u>\$ 56,551</u></u> | <u><u>-</u></u> | <u><u>\$ 56,551</u></u> | <u><u>\$ 560,562</u></u> |

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|-------------|
| Change in net assets | \$ (77,182) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 1,844 |
| Prior period adjustments | 71,155 |
| Change in operating assets: | |
| Decrease in grant receivable | 23,000 |
| Increase in accounts payable and accrued expenses | 48,055 |
| Net cash provided by (used in) operating activities | 66,872 |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|---------|
| Purchase of equipment | (1,612) |
| Net cash provided by (used in) investing activities | (1,612) |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|--|------------|
| Proceeds from line of credit | 59,994 |
| Net cash provided by (used in) financing activities | 59,994 |
| Net (Decrease) Increase in cash and cash equivalents | 125,254 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 3,192 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 128,446 |

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

| | |
|------------------------|----------|
| Cash paid for interest | \$ 3,782 |
|------------------------|----------|

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

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2019

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. Significant Accounting Policies

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.

B.1. Basis of Accounting

The Foundation prepares its financial statements using the accrual basis of accounting.

B.2. 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.

B.3 Net Assets

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

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

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.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature; the restrictions will expire when the resources are used in accordance with the donor's restrictions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions.

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 net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment, or less commonly, the contribution of those assets directly, are reported as net assets with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

B.4. 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 three levels are defined as follows:

- Level 1 – Unadjusted, quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 – Other observable inputs, either directly or indirectly obtained, including: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in non-active markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by other observable market data.
- Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

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.

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

B.5. 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 2019. Contributions to the Foundation are tax-deductible to the donors under Section 170 of the IRC. During Fiscal Year 2019, the Foundation did not incur any income tax liabilities.

B.6. 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.

B.7. 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 a technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue as time elapses. 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.

B.8. 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 \$1,844 of depreciation expense during Fiscal Year 2019.

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

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 2019.

B.9. Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with restrictions. 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 net assets with restrictions until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. 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.

B.10. 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. 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.

B.11. In-kind Contributions

The Foundation receives contributions in a form other than cash or investments. Most are donated supplies, which are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the Foundation receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meet the Foundation's capitalization policy. Donated use of facilities is reported as a contribution and an expense at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

The Foundation benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services to

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

the Foundation's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets, or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

B.12. 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 using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, depreciation, amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and internet services, insurance, and office supplies and expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

B.13. Changes in Accounting Principles

The Foundation implemented the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset classification has been renamed net assets without donor restrictions.
- The financial statements include a liquidity and availability of resources disclosure (Note 3).

The changes had the following effect on net assets at June 30, 2018:

ILLINOIS JOINING FORCES FOUNDATION
 FINANCIAL AUDIT
 For the Year Ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

| <u>Net Asset Class</u> | <u>As Originally Presented</u> | <u>After Adoption of FASB ASU 2014-14</u> |
|---------------------------------------|--------------------------------|---|
| Unrestricted net assets | \$ (149,933) | \$ 0 |
| Temporarily restricted net assets | 0 | 0 |
| Net assets without donor restrictions | 0 | (149,933) |
| Net assets with donor restrictions | <u>0</u> | <u>0</u> |
| Total net assets | <u>\$ (149,933)</u> | <u>\$ (149,933)</u> |

Note 2 – Cash and Cash Equivalents

As of June 30, 2019, cash and cash equivalents consisted of the following:

| | |
|------------------|-------------------|
| Checking Account | \$ 128,446 |
| Petty Cash | <u>0</u> |
| Total | <u>\$ 128,446</u> |

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

Note 3 – Liquidity and Availability of Resources

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, are as follows:

| | |
|---|-----------------|
| Financial Assets: | |
| Cash and cash equivalents | \$ 128,446 |
| Total financial assets | 128,446 |
| Less: Financial assets held to meet donor-imposed restrictions: | |
| Time restricted net assets (Note 5) | <u>125,000</u> |
| Amount available for general expenditures within one year | <u>\$ 3,446</u> |

Note 4 – Fixed Assets

As of June 30, 2019, fixed assets consisted of the following:

| | |
|--------------------------------|-----------------|
| Furniture and Equipment | \$ 7,222 |
| Less: Accumulated Depreciation | <u>5,181</u> |
| Total | <u>\$ 2,041</u> |

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

Note 5 – Net Assets With Donor Restrictions

At June 30, 2019, net assets with donor restrictions were available for the following purposes or time periods:

| <u>Time Restrictions</u> | <u>Amount</u> |
|--|-------------------|
| Contributions received, which are unavailable for spending until due | \$ 125,000 |
| Total | <u>\$ 125,000</u> |

Note 6 – Line of Credit

The Foundation has a line of credit of \$60,000 with First Midwest Bank, which is secured by substantially all the assets of the Foundation. Interest is payable monthly at a variable rate and is calculated using a rate of 1.75 percentage points over the Wall Street Journal Prime Rate as the loan's index. However, under no circumstances will the interest rate be less than 5.5% per annum or more than the maximum rate allowed by applicable law. At June 30, 2019, the interest rate was at 5.5% per annum and net borrowing on the line of credit was \$59,994.

Note 7 – Concentrations of Risk

A significant portion of the Foundation's funding comes from contributing entities, by way of grants and donations, both at the corporate and individual level. As such, the Foundation's ability to operate is directly related to the dollar amounts contributed. The Foundation relies on a small number of major contributors. During Fiscal Year 2019, \$452,500 (94%) of the Foundation's total reported revenue (\$483,380) came from the following two contributing organizations:

| <u>Revenue Source</u> | <u>Amount</u> | <u>Percent of Total Revenue</u> |
|--------------------------------|-------------------|---------------------------------|
| Robert R. McCormick Foundation | \$ 375,000 | 78% |
| Boeing Company | <u>77,500</u> | <u>16%</u> |
| Total | <u>\$ 452,500</u> | <u>94%</u> |

Note 8 – Subsequent Events

A. Accounts Payable Write-down

Subsequent to June 30, 2019, one of the Foundation's vendors agreed to write-down the balance owed to them from the Foundation by \$51,450. The Fiscal Year 2019 financial statements were not adjusted to reflect this write-down.

ILLINOIS JOINING FORCES FOUNDATION
FINANCIAL AUDIT
For the Year Ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

B. Change in Operations

Subsequent to June 30, 2019, the Foundation entered into an agreement to perform fiscal services for a nonprofit initiative, Operation Her Story.

C. COVID-19 Relief

In March 2020, the Foundation was impacted by the global effects of “COVID-19,” an infectious disease caused by Severe Acute Respiratory Syndrome Coronavirus 2 (SARS CoV-2).

On March 27, 2020, the President of the United States of America signed the Coronavirus Aid, Relief, and Economic Security (the “CARES Act”), which, among other things, outlines the provisions of the Paycheck Protection Program (the “PPP”). The Foundation determined that it met the criteria to be eligible to obtain a loan under the PPP because, among other reasons, in light of COVID-19 outbreak and the uncertainty of economic conditions related thereto, the loan was necessary to support the Foundation's ongoing operations. Under the PPP, the Foundation obtained a U.S. Small Business Administration loan in an amount equal to the average of the Foundation's monthly payroll costs (as defined under the PPP) for Calendar Year 2019 multiplied by 2.5 (approximately 10 weeks of payroll costs). Section 1106 of the CARES Act contains provisions for the forgiveness of all or a portion of a PPP loan, subject to the satisfaction of certain requirements. The amount eligible for forgiveness is, subject to certain limitations, the sum of the Foundation's payroll costs, rent, and utilities paid by the Foundation.

On April 22, 2020, the Foundation closed on a PPP loan in the amount of \$220,150, which was funded on April 20, 2020, and which was recorded by the Foundation as a loan payable over 30 years.

The Foundation has evaluated subsequent events through December 22, 2020, 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.

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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

Report on the Financial Statements

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 as of June 30, 2019, and the related Statement of Activities, Statement of Functional Expenses, and Statement of Cash Flows for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and we have issued our report thereon dated December 22, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 2019-001 and 2019-003 through 2019-005.

Internal Control Over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than 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 2019-001 through 2019-005, that we consider to be material weaknesses.

Foundation's Responses to the Findings

The Foundation's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
December 22, 2020

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

2019-001. **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.

We noted the following deficiencies and inaccuracies in financial reporting:

Inaccurate and Incomplete Contributions Receivable/Promises to Give

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:

- 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.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

Inaccurate and Incomplete Accounts Payable and Expenses

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.

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, was improperly included and other income, totaling \$51,450, was improperly excluded from the June 30, 2019, financial statements.

The cumulative effect of these misstatements resulted in a \$65,817 overstatement of expenses, a \$51,450 understatement of revenues, and a \$51,450 overstatement of accounts payable on the June 30, 2019, financial statements.

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 30 of 60 (50%) disbursements selected for testing, totaling \$7,317. Of these transactions, 27, totaling \$4,317, were carried out through the use of a debit card, and receipts or invoices could not be provided to support these expenses. The remaining three disbursements, totaling \$3,000, were carried out through the use of a check. The only documentation to substantiate these transactions were emails from the Executive Director to the Fiscal Agent requesting the checks be prepared. Receipts or invoices could not be provided to support these email requests.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

- The Foundation did not retain copies of its cancelled checks. As a result, we were unable to verify that 21 of 60 (35%) disbursements tested, totaling \$34,155, 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 three of eight (38%) receipts selected for testing, totaling \$84,500.

Other Financial Reporting Deficiencies

We also noted the following:

- Two of 8 (25%) receipts tested, totaling \$7,020, were not deposited timely. The funds were deposited into the Foundation's bank account 92 and 102 days after receipt. We noted the Foundation failed to record revenue during the proper period for one of these receipts, totaling \$7,000. The receipt was received by the Foundation during Fiscal Year 2018, but was not recognized and recorded as a revenue in its financial records until Fiscal Year 2019. As a result, revenue on the June 30, 2019, financial statements was overstated by \$7,000 and beginning net assets was understated by \$7,000.
- The Foundation improperly included a prior period adjustment line item, totaling \$71,155, in the Operating Activities section on its Fiscal Year 2019 Statement of Cash Flows. Consequently, the increase in accounts payable and accrued liabilities line item on its Fiscal Year 2019 Statement of Cash Flows was understated by this amount.
- The Foundation made an improper journal entry during Fiscal Year 2019 to correct a prior year error. During the prior examination, we noted the Foundation overstated its accumulated depreciation account and understated its accrued expenses by \$212 on its June 30, 2017, financial statements by improperly applying a wage garnishment installment to the account.
 - The Foundation improperly reduced its accumulated depreciation account and dues and subscriptions expense account \$212 to correct the Fiscal Year 2017 error. As a result, \$212 of expenses and accrued expenses were improperly excluded from its June 30, 2019, financial statements and beginning net assets was understated by \$212.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

- The Foundation improperly overstated the purchase of equipment line item in the Investing Activities section and understated the change in net assets line item in the Operating Activities section of its Fiscal Year 2019 Statement of Cash Flows by \$212 due to the erroneous adjusting journal entry.
- The Foundation misclassified \$200 of bank charges as interest expense in its financial records and on its Fiscal Year 2019 Statement of Functional Expenses. Cash paid for interest reported on its Fiscal Year 2019 Statement of Cash Flows was overstated by \$200 as a result of this misclassification.
- The Foundation misclassified \$105 of travel costs as office supplies and meals and entertainment expenses in its financial records and on its Fiscal Year 2019 Statement of Functional Expenses.
- The Foundation was unable to provide documentation to substantiate nonemployee compensation payments made to two individuals during calendar year 2018, totaling \$12,909, were reported on its 2018 Form 1099.

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

At the time, the IRS’ *Instructions for Form 1099-MISC* required the Foundation to file a Form 1099-MISC for each person whom the Foundation paid at least \$600 of nonemployee compensation by January 31 of the year following when the payments were made. Beginning with Tax Year 2020, this type of income is reported on a Form 1099-NEC.

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

During the prior and current engagements, Foundation personnel indicated a lack of communication between Foundation management and the independent fiscal

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

agent led to transactions, namely liabilities, expenses, receivables, and revenues, not being recorded on a timely basis and contributed to the other accounting errors noted. In addition, Foundation management acknowledged the lack of sufficient documentation and stated the documents were either not retained or were misplaced by staff.

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. Further, failure to file Form 1099s represents noncompliance with federal regulations. (Finding Code No. 2019-001, 2018-001, 2016-001)

RECOMMENDATION

We recommend 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 RESPONSE

Illinois Joining Forces generally agrees to the finding. Steps have been taken since the last audit to remedy these deficiencies, but due to timing could not be evident for the FY19 audit. However, corrections and compliance will be reflected in the FY20 audit.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

2019-002. **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 2019.

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 2019:
 - 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 or 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.

Generally Accepted Accounting Principles (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 the statement of financial position presented.

- 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 (see Finding 2019-001).

GAAP requires the following information be disclosed related to corrections of errors in previously issued financial statements that have been restated: that the previously issued financial statements have been restated, a description of the nature of the error, the effect of the correction, and the cumulative effect of the change, in total and by class, on net assets as of the beginning of the earliest period presented.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

- The Foundation failed to adequately account for and disclose information regarding subsequent events. We noted one of the Foundation’s vendors agreed to write-down the balance owed them by \$51,450 subsequent to June 30, 2019, but prior to the date the financial statements were initially available to be issued on December 3, 2019. The \$51,450 consisted solely of expenses incurred prior to June 30, 2019. The Foundation failed to adjust its financial statements (see Finding 2019-001) and include a related subsequent events disclosure in the Notes to the Financial Statements as a result of this write-down.

GAAP requires recognition and disclosure in the financial statements of all subsequent events that provide additional evidence about conditions that existed at the date of the financial statements.

- The Foundation did not include a disclosure regarding its operating leases during Fiscal Year 2019. Rental expense during Fiscal Year 2019 totaled \$17,754.

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 disclose qualitative information related to liquidity and the availability of resources.

GAAP requires disclosure of the following qualitative information related to liquidity and the availability of resources: (1) information that is necessary to supplement the quantitative information to communicate the availability of the Foundation’s financial assets at the date of the statement of financial position to meet cash needs for general expenditures within one year of the date and (2) information that is useful for assessing the Foundation’s liquidity that describes how the Foundation manages its liquid resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position.

- The Foundation did not include a detailed disclosure related to receivables or promises to give. The Foundation also failed to properly record receivables during Fiscal Year 2019 (see Finding 2019-001).

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

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

uncollectible receivables; information regarding any unamortized discounts; and, the classification designation.

- The Foundation did not include a compensated absences disclosure. Per discussion with Foundation management, employees receive accrued benefit time, and remaining balances at year-end are carried over to the next. 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 the accrual of a liability for an employee's compensated absences, provided the employee has a right to receive compensation for future absences attributable to prior service, the right vests or accumulates, the payment is probable, and the amount can be reasonably estimated.

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

- 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.

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 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

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

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.

GAAP requires 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'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.

GAAP defines the three levels as follows: level 1 inputs as unadjusted, quoted market prices for identical assets or liabilities in active markets at the measurement date; level 2 inputs are other observable inputs, either directly or indirectly including quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in non-active markets, inputs other than quoted prices that are observable for the assets or liability, or inputs that are derived principally from or corroborated by other observable market data; and level 3 inputs are unobservable inputs that cannot be corroborated by observable market data.

- The Foundation's initial disclosure of policies for the valuation of contributions receivable did not accurately represent the Foundation's valuation practices. The disclosure indicated contributions receivable that were expected to be collected in less than a year were recorded at fair value at the date of the promise. The results of our testing indicated contributions received of the type were actually recorded at net realizable value. The Notes to the Financial Statements were corrected to fix this error.
- The Foundation failed to report the correct amount in its Cash and Cash Equivalents note disclosure. The Foundation reported cash totaling \$3,192 at June 30, 2019, while the actual amount of cash at June 30, 2019, was \$128,446. The Notes to the Financial Statements were corrected to fix this error.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

- The Foundation failed to report correct amounts in its Fixed Assets note disclosure. The Foundation reported a net equipment value of \$2,273, while the actual net equipment value at June 30, 2019, was \$2,041. The Notes to the Financial Statements were corrected to fix this error.
- 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. At June 30, 2019, the interest rate on the line of credit was 5.5%. The Notes to the Financial Statements were corrected to fix this error.
- The Foundation’s liquidity and availability disclosure failed to include receivables, totaling \$200,213, due to the Foundation improperly recognizing revenue on a cash basis (see Finding 2019-001).
- The Foundation’s June 30, 2019, financial statements and related note disclosures contained a significant amount of grammatical, capitalization, spelling, and formatting errors which had to be corrected.

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.

In the previous and current engagements, Foundation personnel indicated a lack of communication between Foundation management and the independent fiscal agent and staff 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. 2019-002, 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. Additionally, we recommend the Foundation develop and consistently apply a methodology for classifying and allocating expenses on its Statement of Functional Expenses.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

FOUNDATION RESPONSE

Illinois Joining Forces generally agrees to the finding. Steps have been taken since the last audit to remedy these deficiencies, but due to timing could not be evident for the FY19 audit. However, corrections and compliance will be reflected in the FY20 audit.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

2019-003. **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 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 changes in employee salaries.
 - We tested a sample of four payroll transactions, totaling \$47,672, and noted gross pay for four of six (67%) employees differed from the salaries documented on the employees’ formal employment offer letters.
 - Payroll is automatically processed in full on a bi-weekly basis. The Foundation does not have adequate review and communication procedures to ensure any necessary payroll changes would be caught and adjusted timely.
 - The Foundation does not have a system or process in place to track employee attendance.
 - Employees track their own vacation and sick time balances, and employee requests for time off are not formally documented.
 - Documentation regarding vacation and sick time offered to employees is not consistent.
- The Foundation did not maintain adequate control over contracts entered into with vendors, as described below:
 - The Foundation was unable to provide three contractual agreements requested, pertaining to 5 of 60 (8%) disbursements tested. These five disbursements totaled \$11,406.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

- One contractual agreement tested, totaling \$25,731, pertaining to 2 of 60 (3%) disbursements tested, was improperly executed by the Foundation's Executive Director.

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

- 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.
- 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, we were unable to determine the timeliness of the reconciliation, if a proper segregation of duties was maintained over the bank reconciliation process, and whether 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.

The Foundation's Financial Controls Policy requires the Treasurer be involved in the Foundation's Bank reconciliation process and regularly monitor its bank account and financial records.

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:

- The Foundation utilized a debit card, linked to the Foundation's account, to carryout various transactions. No documentation or written policy could be

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS
For the Year Ended June 30, 2019

provided to support use of a debit card. The Foundation executed 166 transactions during Fiscal Year 2019 totaling \$18,940 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 Foundation's bylaws state all disbursements of the Foundation are to be made by check.

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 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.

During the previous and current engagements, Foundation personnel indicated a lack of communication inhibited efforts to monitor and document 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.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

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. 2019-003, 2018-003, 2016-002)

RECOMMENDATION

We recommend the Foundation’s management and Board meet and agree on specific internal control objectives, policies, and practices. We recommend Board members and management formally develop and update written policies and procedures to facilitate the Foundation’s operations. Board members and management should perform ongoing reviews of financial records and activities, including contracts and bank reconciliations, to ensure objectives, policies, and practices are being adhered to closely. Finally, we recommend the Foundation take immediate action to retain records to substantiate no inurement has occurred and reimbursements are properly accounted for under IRS Publication 535.

FOUNDATION RESPONSE

Illinois Joining Forces generally agrees to the finding. Steps have been taken since the last audit to remedy these deficiencies, but due to timing could not be evident for the FY19 audit. However, corrections and compliance will be reflected in the FY20 audit.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

2019-004. **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 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.

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.

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.

During the previous and current engagements, 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. 2019-004, 2018-004, 2016-003)

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

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

Illinois Joining Forces generally agrees to the finding. Steps have been taken since the last audit to remedy these deficiencies, but due to timing could not be evident for the FY19 audit. However, corrections and compliance will be reflected in the FY20 audit.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

2019-005. **FINDING** (Incomplete and Inconsistent Board Membership Information)

The Illinois Joining Forces Foundation (Foundation) failed to maintain complete and consistent information regarding the membership of its Board of Directors (Board).

During testing, we requested a listing of the Foundation’s Board members, copies of Board meeting minutes, and the Foundation Officials page, which documents the Board composition, including all changes in Board positions, from the beginning of the audit/examination period through the date of the audit/examination report. Upon review of these documents, we noted the Foundation did not maintain a complete and accurate record of its Board members. Specifically, we noted the following:

- Not all members were accounted for at each meeting as either present or absent in accordance with the Open Meetings Act (5 ILCS 120/2.06(a));
- Individuals were inconsistently recognized as guests or Board members from meeting to meeting;
- The verification of a quorum was inconsistently and inaccurately documented for each meeting held; and,
- The listing of Board members provided by the Foundation did not agree to the Board members as documented within the Board meeting minutes or to the Board members as listed on the Foundation Officials page included on pages 1 and 2 of this report.

Due to these conditions, we were unable to conclude whether the Foundation’s population records were sufficiently precise and detailed under either the Auditing Standards or the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500.09 and AT-C § 205.35) to test the governance role of the Board and its legal composition.

Even given the population limitations noted above, we tested the listing of Board members as of June 30, 2019, provided by the Foundation and noted the following:

- In addition to its statutorily required appointed Board members and its Executive Committee, the Board included nine other members, identified as either Civic Members or Task Force Leaders, who participated in voting matters. We noted the Foundation’s bylaws and the Department of Veterans’ Affairs Act (Act) (20 ILCS 2805/37(d)) did not authorize these changes to its Board composition.

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

The Act (20 ILCS 2805/37(d)) requires the Foundation's Board 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, and all of the members of the Illinois Joining Forces Executive Committee appointed by the Director of Veterans' Affairs. All other members shall be ex-officio, non-voting participants. Additionally, the Act (20 ILCS 2805/37(e)) requires the Foundation to operate within the provisions of the General Not for Profit Act of 1986. The General Not for Profit Corporation Act of 1986 (805 ILCS 105/108.10(a)) states the Foundation's Board shall be fixed by the bylaws, which may be increased or decreased by an amendment to the bylaws. The Foundation's bylaws included the same composition requirements as the Act.

- The Foundation was unable to provide documentation to substantiate the Director of Veterans' Affairs appointed all members of the Executive Committee as required by the Act (20 ILCS 2805/37(d)).
- The Foundation did not monitor and document compliance with statutory term limits for its Board members:
 - The Foundation did not document the appointment or start dates for 3 of 17 (18%) applicable Board members' terms. As a result, we were unable to determine if the members were serving on expired terms.
 - Of the 14 applicable Board members who did have a documented appointment or start date, 4 (29%) were serving on expired terms, between 678 and 1,028 days beyond each individual's term expiration as of June 30, 2019. We were unable to determine if terms for these board members were formally extended or if they were reappointed.

The Act (20 ILCS 2805/37(d)) limits Board members to two-year terms. Section 3.04 of the Foundation's bylaws allow the terms of Board members to be extended until a successor has been elected, but limits Board members from serving more than three consecutive terms.

Foundation personnel indicated these issues were due to lack of personnel, significant staff turnover, and competing priorities for the responsible personnel.

Failure to adequately account for the Foundation's Board membership and failure to update the bylaws to reflect composition changes represents noncompliance with State law and hinders the General Assembly's ability to fix the membership of the Board of Directors. Further, the inconsistent documentation of Board member

ILLINOIS JOINING FORCES FOUNDATION
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2019

names, dates, and voting status creates confusion and increases the risk of inappropriate involvement and voting in key Foundation operational, strategic, and financial decisions. (Finding Code No. 2019-005)

RECOMMENDATION

We recommend the Foundation ensure all Board member information, including but not limited to names, titles, source of appointment, voting status, terms, and periods of vacancies, is consistently monitored and accounted for. In addition, we recommend the Foundation improve its documentation of Board members present and absent at each meeting held and its verification of a quorum in its meeting minutes. Further, we recommend voting matters be limited to members identified in the Act, or the Foundation formally amend its bylaws and seek legislative change to the Act to reflect changes in the Board's structure.

FOUNDATION RESPONSE

Illinois Joining Forces generally agrees to the finding. Steps have been taken since the last audit to remedy these deficiencies, but due to timing could not be evident for the FY19 audit. However, corrections and compliance will be reflected in the FY20 audit.