

**ILLINOIS CONSERVATION FOUNDATION**  
**(A Component Unit of the State of Illinois)**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2020**

**Performed as Special Assistant Auditors**  
**for the Auditor General, State of Illinois**

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**FINANCIAL AUDIT**  
For the Year Ended June 30, 2020

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The Illinois Conservation Foundation's *Compliance Examination* for the year ended June 30, 2020, has been issued under a separate cover.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**FINANCIAL AUDIT**  
For the Year Ended June 30, 2020

**FOUNDATION OFFICIALS**

Executive Director (11/16/20 – Present)	Mr. Steve Ettinger
Executive Director (11/01/20 – 11/15/20)	Vacant
Executive Director (08/01/19 – 10/31/20)	Ms. Crystal Curfman
Executive Director (07/01/19 – 07/31/19)	Mr. Eric Schenck
Chief Operating Officer (11/16/20 – Present)	Vacant
Chief Operating Officer (07/01/19 – 11/15/20)	Mr. Steve Ettinger

**GOVERNING BOARD OFFICER**

Chair of the Board	Ms. Colleen Callahan
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**GOVERNING BOARD MEMBERS**

Member - Secretary	Mr. Ryan Anderson
Member - Treasurer	Ms. Barbara Johnson
Member	Mr. Andrew Katlin
Member	Mr. William Cullerton Jr.
Member	Mr. Mike Ruffolo
Member	Ms. Diane Schneider
Member	Mr. Tom Bennett
Member	Mr. Trip Banks
Member	Mr. Mike Hillstrom
Member	Mr. Kenneth Polhamus
Member	Mr. Robert Russell
Member	Vacant

**FOUNDATION OFFICE**

The Foundation's primary administrative office is located at:

Illinois Department of Natural Resources  
1 Natural Resources Way  
Springfield, IL 62702-1271

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**FINANCIAL AUDIT**  
For the Year Ended June 30, 2020

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying basic financial statements of the Illinois Conservation Foundation (Foundation) (A Component of the State of Illinois) was performed by Roth & Company, LLP.

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

**SUMMARY OF FINDINGS**

The auditors identified a matter involving the Foundation's internal control over financial reporting that they considered to be a material weakness.

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
CURRENT FINDING				
2020-001	31	2020/2019	Weaknesses over Receipts Process	Material Weakness and Material Noncompliance

PRIOR FINDING NOT REPEATED

A	32	2019/2019	Inadequate Controls over Capital Assets	
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**EXIT CONFERENCE**

The Foundation waived an exit conference in a correspondence from Mr. Steve Ettinger, Chief Operating Officer, on November 12, 2020. The response to the recommendation was provided by Mr. Steve Ettinger, Chief Operating Officer, in a correspondence dated November 12, 2020.



## **INDEPENDENT AUDITOR'S REPORT**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Directors  
Illinois Conservation Foundation

### **Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of the Illinois Conservation Foundation (Foundation) (A Component Unit of the State of Illinois), as of and for the year ended June 30, 2020, 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 opinions 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 audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of the Foundation, as of June 30, 2020, and the respective changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 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**

Chicago, Illinois  
November 18, 2020

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2020

(UNAUDITED)

**Introduction**

The following Management's Discussion and Analysis (MD&A) provides an introduction and overview of the Illinois Conservation Foundation's (Foundation) financial activities for the fiscal year ended June 30, 2020. The Foundation is a not-for-profit corporation created to provide additional funding for the Illinois Department of Natural Resources' (IDNR) conservation programs that either are not receiving adequate funding or cannot be implemented because State funding is not available. The specific purposes of the Foundation are to solicit and generate private funding and donations that assist in enhancing and preserving Illinois' natural habitats, historic sites, river and stream corridors, State parks, forests, and fish and wildlife areas.

**Financial Highlights**

- The Foundation's total assets exceeded its liability by \$6,401,631 (net position). Of this amount, \$1,411,338 is unrestricted and may be utilized to meet the Foundation's ongoing programs and activities.

**Overview of the Financial Statements**

The Foundation's government-wide financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and are comprised of the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on the Foundation's assets, deferred outflow of resources, liabilities, deferred inflow of resources, and the resulting net position. This statement also reflects the Foundation's investments, at fair value, along with the restricted and unrestricted net position.

The Statement of Activities presents the revenues and expenses of the Foundation. The items presented on the Statement of Activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the Foundation. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.



**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2020

(UNAUDITED)

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

	<u>2020</u>	<u>2019</u>	<b>Increase (Decrease)</b>
Other assets	\$ 2,074,675	\$ 2,490,085	\$ (415,410)
Capital assets	4,466,530	4,510,701	(44,171)
Total Assets	<u>6,541,205</u>	<u>7,000,786</u>	<u>(459,581)</u>
Current liabilities	139,574	45,693	93,881
Total Liabilities	<u>139,574</u>	<u>45,693</u>	<u>93,881</u>
Net investment in capital assets	4,466,530	4,510,701	(44,171)
Restricted	523,763	681,058	(157,295)
Unrestricted	1,411,338	1,763,334	(351,996)
Total Net Position	<u>\$ 6,401,631</u>	<u>\$ 6,955,093</u>	<u>\$ (553,462)</u>

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

	<u>2020</u>	<u>2019</u>	<b>Increase (Decrease)</b>
Program Revenues:			
Charges for goods and services	\$ 25,690	\$ 23,860	\$ 1,830
Operating grants and contributions	790,146	970,220	(180,074)
General Revenues:			
Investment earnings	11,160	42,349	(31,189)
Total Revenues	<u>826,996</u>	<u>1,036,429</u>	<u>(209,433)</u>
Expenses:			
General and administrative	477,415	389,314	88,101
Natural resources and recreation	903,043	636,186	266,857
Total Expenses	<u>1,380,458</u>	<u>1,025,500</u>	<u>354,958</u>
Change in Net Position	(553,462)	10,929	(564,391)
Net Position, Beginning	6,955,093	6,944,164	10,929
Net Position, Ending	<u>\$ 6,401,631</u>	<u>\$ 6,955,093</u>	<u>\$ (553,462)</u>

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2020

(UNAUDITED)

Overall, the financial position and results of operation have significantly decreased during the year. The combined effect of the decrease in private grants and donations to support the Blackhawk Statue restoration project, decrease in fundraising income and donations due to cancellation of activities as a result of the Coronavirus Disease 2019 (COVID-19) pandemic, increase in expenses to support the Blackhawk Statue restoration project due to project completion and increase in administrative salaries and wages, resulted in a significant decrease in net position during the year as compared to the prior fiscal year.

**Analysis of Individual Funds**

Within the Special Revenue Fund, revenues decreased by \$187,928 from \$1,023,038 in Fiscal Year 2019 to \$835,110 in Fiscal Year 2020. Expenditures increased by \$379,509 from \$956,628 in Fiscal Year 2019 to \$1,336,137 in Fiscal Year 2020. The decrease in revenues is primarily due to a decrease in donations during the fiscal year for the Blackhawk Statue restoration project and decrease in fundraising income and donations due to cancellation of activities as a result of the COVID-19 pandemic. Expenditures increased during the fiscal year due to the completion of the Blackhawk Statue restoration project and increase in administrative salaries and wages.

Within the Permanent Fund, revenues decreased by \$21,505 from \$13,391 in Fiscal Year 2019 to (\$8,114) in Fiscal Year 2020. The decrease in revenues is mainly due to the increase in unrealized losses due to market fluctuations affecting the fair value of investments at the end of the fiscal year.

At June 30, 2020, the Foundation's governmental funds reported a combined ending fund balances of \$1,935,101, a decrease of \$509,291 from the prior year combined fund balances of \$2,444,392. The decrease resulted primarily from the reduced donations and the increase in both administrative and natural resource and recreation expenditures.

Approximately 73% of ending fund balance constitutes the unassigned portion. The remainder of the fund balance is classified as restricted or nonspendable to indicate it is not available for new spending.

**Capital Assets**

Capital assets of the Foundation include land, buildings, site improvements, and equipment, which are used in the operation and maintenance of the Torstenson Farm. The Foundation maintains an inventory of capital assets which have been accumulated over time. Governmental activities net capital assets for the fiscal years ended June 30, 2020 and June 30, 2019, were \$4,446,530 and \$4,510,701, respectively. Current year depreciation expense caused the net book value of capital assets to decrease for the fiscal year ended June 30, 2020.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2020

(UNAUDITED)

**Economic Outlook**

The restoration of the Blackhawk Statue was completed during the current fiscal year. The Foundation anticipates that future funding of this project will be significantly less than what has been raised in the past. The Foundation will continue to accept funds for this project for future maintenance.

The COVID-19 pandemic led to cancellations and postponement of fundraising activities and events. The pandemic also led to cancellations of several spring and summer programs. The Foundation has plans in moving forward with each program under the current situation.

The Foundation applied and approved of a loan under the Paycheck Protection Program (PPP) of the United States Small Business Administration, as established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), to help with the impact of the pandemic. The Foundation used the loan in accordance with the requirements of the PPP and anticipates the loan will be forgiven in full.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**STATEMENT OF NET POSITION**  
For the Year Ended June 30, 2020

	GOVERNMENTAL ACTIVITIES
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 472,135
Receivables	19,230
Inventory	24,760
Other assets	22,443
Investments	1,536,107
Capital assets, net	4,466,530
Total Assets	6,541,205
<b>LIABILITIES:</b>	
Accounts payable	40,561
Accrued expenses	5,717
Unearned revenues	27,025
Loan payable	66,271
Total Liabilities	139,574
<b>NET POSITION:</b>	
Net investment in capital assets	4,466,530
Restricted for:	
Natural resources and recreation	354,436
Endowment - nonspendable	70,219
Education	99,108
Unrestricted	1,411,338
Total Net Position	\$ 6,401,631

See accompanying notes to the financial statements.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		NET (EXPENSE) REVENUE
		CHARGES FOR GOODS AND SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Environment and Business				
Regulations:				
General administrative	\$ 477,415	\$ -	\$ 210,721	\$ (266,694)
Natural resources and recreation	903,043	25,690	579,425	(297,928)
Total Governmental Activities	<u>\$ 1,380,458</u>	<u>\$ 25,690</u>	<u>\$ 790,146</u>	<u>\$ (564,622)</u>

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General Revenue:	
Investment earnings	<u>11,160</u>
Change in Net Position	(553,462)
Net position - Beginning	<u>6,955,093</u>
Net position - Ending	<u>\$ 6,401,631</u>

See accompanying notes to the financial statements.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2020

	SPECIAL REVENUE FUND	NONMAJOR PERMANENT FUND	TOTAL
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 422,000	\$ 50,135	\$ 472,135
Receivables	19,230	-	19,230
Inventory	24,760	-	24,760
Investments	1,416,915	119,192	1,536,107
Other assets	22,443	-	22,443
Total Assets	<u>\$ 1,905,348</u>	<u>\$ 169,327</u>	<u>\$ 2,074,675</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts payable	40,561	-	40,561
Accrued expenses	5,717	-	5,717
Unearned revenues	27,025	-	27,025
Loan Payable	66,271	-	66,271
Total Liabilities	<u>139,574</u>	<u>-</u>	<u>139,574</u>
Fund Balances:			
Nonspendable	-	70,219	70,219
Restricted:			
Natural resources and recreation	354,436	-	354,436
Education	-	99,108	99,108
Unassigned	1,411,338	-	1,411,338
Total Fund Balance	<u>1,765,774</u>	<u>169,327</u>	<u>1,935,101</u>
Total Liabilities and Fund Balances	<u>\$ 1,905,348</u>	<u>\$ 169,327</u>	<u>\$ 2,074,675</u>

See accompanying notes to the financial statements.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
For the Year Ended June 30, 2020

Total fund balances - governmental funds	\$ 1,935,101
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.	4,466,530
Net position of governmental activities	<u>\$ 6,401,631</u>

See accompanying notes to the financial statements.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2020

	<u>SPECIAL REVENUE FUND</u>	<u>NONMAJOR PERMANENT FUND</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Donations	\$ 790,146	\$ -	\$ 790,146
Investment earnings (losses)	19,274	(8,114)	11,160
Merchandise sales	25,690	-	25,690
Total Revenues (Losses)	<u>835,110</u>	<u>(8,114)</u>	<u>826,996</u>
<b>EXPENDITURES</b>			
Administrative	477,265	150	477,415
Natural resources and recreation	858,872	-	858,872
Total Expenditures	<u>1,336,137</u>	<u>150</u>	<u>1,336,287</u>
Net Change in Fund Balances	(501,027)	(8,264)	(509,291)
Fund Balance - Beginning	<u>2,266,801</u>	<u>177,591</u>	<u>2,444,392</u>
Fund Balance - Ending	<u>\$ 1,765,774</u>	<u>\$ 169,327</u>	<u>\$ 1,935,101</u>

See accompanying notes to the financial statements.



**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds	\$ (509,291)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	
Capital asset purchases capitalized	45,359
Net book value of capital assets disposed	(7,301)
Depreciation expense	<u>(82,229)</u>
Change in net position of governmental activities	<u><u>\$ (553,462)</u></u>

See accompanying notes to the financial statements.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Illinois Conservation Foundation (Foundation) was authorized to be created by Public Act 88-591 for the purpose of promoting, supporting, assisting, sustaining, and encouraging the charitable, educational, scientific and recreational programs, projects, and policies of the Illinois Department of Natural Resources. The Foundation's activities are managed by a board of directors, whose members are appointed by the Governor of the State of Illinois and by the leadership of the Illinois General Assembly.

The Foundation implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*; GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The Foundation implemented these standards during the current year; however, none had any impact on the financial statements.

B. Date of Management's Review

Management has evaluated subsequent events through November 18, 2020, the date when the financial statements were available to be issued.

C. Financial Reporting Entity

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the GASB.

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Foundation has no component units. However, the Foundation is a component unit of the State of Illinois.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

The accompanying financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). In Fiscal Year 2013, the Illinois State Comptroller's Office deemed the Foundation immaterial to the operations of the State and does not report it in the State's Comprehensive Annual Financial Report (CAFR). For its reporting purposes, the Foundation has separate funds and government-wide financial statements and reconciles individual funds data to the government-wide data. A brief description of the Foundation's government-wide and fund financial statements is as follows:

**Government-wide Statements:** The government-wide statement of net position and statement of activities report the overall financial activity of the Foundation. The financial activities of the Foundation consist only of governmental activities, which are primarily supported by donations and grants.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the Foundation's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Foundation administers the following major governmental fund:

**Special Revenue** – This is the Foundation's primary operating fund. It accounts for all financial resources of the Foundation, except those required to be accounted for in another fund. The services which are administered by the Foundation and accounted for in the special revenue fund include, among others, promoting, supporting, assisting, sustaining, and encouraging the charitable, educational, scientific, and recreational programs, projects, and policies of the Illinois Department of Natural Resources.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation administers the following nonmajor governmental fund:

**Permanent** – This fund accounts for resources held to provide funds for schools and other youth organizations to engage in conservation projects that are both useful to the environment and educational to those involved.

E. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Foundation gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. On an accrual basis, revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Foundation considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

F. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments (including restricted assets) readily convertible to cash with an original maturity of three months or less. Cash and cash equivalents include cash in banks and money market accounts maintained outside the State Treasury.

G. Inventories

Inventories of the Foundation are valued at cost and the Foundation uses the average method in determining cost. The inventories consist of merchandise available for sale that are recorded as expenditures when purchased.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Investments

Foundation investments are recorded at fair value as determined by quoted market prices for identical or similar assets. The Foundation holds investments in marketable equity securities and debt securities.

I. Capital Assets

Capital assets, which consist of land, buildings, site improvements, and equipment, are reported at cost. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated/amortized using the straight-line method.

The capitalization threshold for capital assets is \$5,000 and the estimated useful life is 3-40 years.

J. Loan Payable

Loan payable pertains to the loan under the Paycheck Protection Program of the U.S. Small Business Administration to provide direct incentives to small businesses to keep workers on payroll during the coronavirus crisis.

K. Contributions

Gifts of cash and other assets received are reported as unrestricted revenue and net position, unless subject to time or donor-stipulated program restrictions.

Gifts of land, buildings, equipment, and other long-lived assets are also reported as unrestricted revenue and net position, unless subject to donor restrictions.

L. Governmental Fund Balances

Fund balance is the difference between assets and liabilities in a governmental fund. The following types of fund balances may be presented in the Governmental Funds Balance Sheet:

Nonspendable Fund Balance – The portion of a governmental fund’s net position that is not available to be spent, either short term or long term, due to either its form or legal restrictions. The Foundation has a nonspendable fund balance in the Permanent Fund.

**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2020

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

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

Committed Fund Balance – The portion of a governmental fund’s net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Foundation has no committed fund balances.

Assigned Fund Balance – The portion of a governmental fund’s net position for which an intended use of resources has been denoted. The Foundation has no assigned fund balances.

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The Foundation has an unassigned fund balance in the Special Revenue Fund.

The Foundation funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the Foundation’s policy to first apply restricted funds to such programs, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned funds, if any.

**M. Net Position**

In the government-wide financial statements, net position is displayed in three components as follows:

Net Investment in capital assets – Consists of capital assets, net of accumulated depreciation.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally, it is the Foundation’s policy to use restricted resources first, then unrestricted resources when they are needed.

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

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

N. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Deferred Inflows and Outflows of Resources

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, reclassified as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities. Decreases in net assets that relate to future periods are reported as deferred outflows of resources. Increases in net assets that relate to future periods are reported as deferred inflows of resources. When an asset is recorded in the governmental fund financial statements but the revenue is not available, the Foundation reports a deferred inflow of resources until such time as the revenue becomes available. *Available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are not available if they are received more than 60 days after the end of the fiscal year. The Foundation had no deferred inflows or outflows of resources in the current year.

NOTE 2: DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents consist of checking and savings accounts of \$176,545 and cash in the Foundation's investment accounts of \$295,590 at June 30, 2020. The checking and savings accounts are secured by the Federal Depository Insurance Corporation (FDIC) coverage. Of the total cash in the Foundation's investment accounts, \$250,000 was secured by FDIC.

B. Investments

The Foundation's Investment Policy's mission is to support the Foundation and its Torstenson Family Youth Conservation Education Center by providing a reliable source of funds for current and future use. The purchasing power of the endowment's assets must be maintained in perpetuity and the endowment must achieve investment returns sufficient to sustain the level of spending necessary to support ongoing Foundation operations. The primary investment objective of the Foundation is to earn an average annual real total return of at least 5% per year over the long term, net of cost. The portfolios are constructed across different U.S. asset classes (stocks, bonds and cash). The primary objective of the Foundation's asset allocation policy is to provide a

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

strategic mix of asset classes which produces the highest expected investment return within a prudent risk framework. The Foundation's investments are managed by hired investment consultants and the Foundation has placed oversight responsibility for the endowment fund with its finance committee.

As of June 30, 2020, the Foundation had the following investments and maturities.

Investment Type	Fair Value	Less than 1 Year	1 - 5 Years	6 - 10 Years	More than 10 Years
Corporate Debt Securities	\$ 167,219	\$ -	\$ 167,219	\$ -	\$ -
Certificates of Deposit	30,077	30,077	-	-	-
Corporate Equity Securities	790,423				
Mutual Funds	431,832				
Other Investments	116,556				
Total Investments	<u>\$ 1,536,107</u>				

**Interest Rate Risk**

The Foundation's formal investment policy does not limit investment maturities as a means of managing the exposure to fair value losses arising from increasing interest rates. Interest rate risk can be managed using weighted average maturity (WAM). Weighted average maturity is calculated taking into consideration call dates, prepayment assumptions and other features that affect the actual maturity dates of the securities in the consolidated portfolios. On June 30, 2020, the Foundation's WAM was as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Corporate Debt Securities	\$ 167,219	1.10
Certificates of Deposit	30,077	0.10
Corporate Equity Securities	790,423	-
Mutual Funds	431,832	-
Other Investments	116,556	-
	<u>\$ 1,536,107</u>	



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NOTE 2: DEPOSITS AND INVESTMENTS (CONCLUDED)

Concentration of Credit Risk

The Foundation’s investment policy establishes asset allocation target with certain minimum and maximum constraints for each individual asset class. A portfolio rebalancing is performed to ensure compliance with the minimum and maximum constraints established for each investment asset class.

Credit Risk

The following table presents the quality ratings of debt securities held by the Foundation as of June 30, 2020.

Investment Type	Moody's Quality Rating	Fair Value
Corporate Obligations	A2	\$ 46,962
	Aa2	\$ 41,506
	A3	\$ 78,751
Total Debt Securities		<u>\$ 167,219</u>

NOTE 3: FAIR VALUE MEASUREMENT

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the Foundation’s investments are measured and reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments are classified according to the following hierarchy.

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investment reflect prices that are based on similar observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk.

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**NOTE 3: FAIR VALUE MEASUREMENT (CONCLUDED)**

Fair value of the Foundation's mutual funds is determined by the Foundation from observable market quotations as provided by the Foundation's custodial bank.

Fair value of the Foundation's corporate debt securities and corporate equity securities are provided by its custodial bank. The prices are derived from inputs that are directly observable for an asset based on similar assets, as well as inputs that are not directly observable and are derived from observable market data.

The following table presents the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2020:

Investment Type	Total	Level 1	Level 2	Level 3
Corporate Debt Securities	\$ 167,219	\$ -	167,219	\$ -
Corporate Equity Securities	790,423	753,423	\$ 37,000	-
Mutual Funds	431,832	431,832	-	-
Total Investments	<u>\$ 1,389,474</u>	<u>\$ 1,185,255</u>	<u>\$ 204,219</u>	<u>\$ -</u>

**NOTE 4: RESTRICTED FUND BALANCE**

Gifts and donations made to the Foundation that are subject to restrictions by the donors are considered restricted donations. That portion of the fund balance that is the result of restricted donations is reported as restricted for natural resources and recreation or educational purposes.

On October 28, 1996, a private donation of 3,500 (5,504 shares adjusted for a 3 for 2 stock split in December 2002 and reinvesting a special capital gain in Fiscal Year 2003) shares of Adams Express Stock was made to the Foundation for the purpose of establishing a permanent endowment. The value of the stock as of the date of the donation was \$70,219. A donation was made in November 2010 to purchase an additional 4,496 shares, to bring the total holdings of Adams Express Stock to 10,000 shares. Pursuant to this donation, the Foundation is to retain the donated shares, or if necessary other investments of similar value, safety or income.

Earnings, in the form of dividends are to be used to provide funds for schools and other youth organizations to engage in conservation projects which are both useful in the environment and educational to those involved. The initial endowment is reported as a nonmajor permanent fund as nonspendable. The unspent earnings from the endowment and the subsequent donation of shares of Adams Express Stock and subsequent sales and purchases of stock of similar value, safety, and income are reported in the same fund type as restricted for education.

**ILLINOIS CONSERVATION FOUNDATION**  
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**NOTE 5: RELATED PARTY TRANSACTIONS**

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

**NOTE 6: RECEIVABLES**

Receivables for the year ended June 30, 2020, were as follows:

Private grants and donations	\$ 15,910
Accrued interest	3,272
Miscellaneous	48
	<u>\$ 19,230</u>

**NOTE 7: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Adjustments	Balance June 30, 2020
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 2,968,000	-	-	-	\$ 2,968,000
Total capital assets not being depreciated	2,968,000	-	-	-	2,968,000
Capital assets being depreciated:					
Buildings	1,793,448	-	-	-	1,793,448
Site improvements	174,279	-	-	-	174,279
Equipment	138,755	45,359	(18,007)	(5,386)	160,721
Total capital assets being depreciated	2,106,482	45,359	(18,007)	(5,386)	2,128,448
Less accumulated depreciation:					
Buildings	(460,195)	(56,532)	-	-	(516,727)
Site improvements	(21,335)	(5,809)	-	-	(27,144)
Equipment	(82,251)	(19,888)	10,706	5,386	(86,047)
Total accumulated depreciation	(563,781)	(82,229)	10,706	5,386	(629,918)
Governmental Activities - Capital Assets, Net	<u>\$ 4,510,701</u>	<u>\$ (36,870)</u>	<u>\$ (7,301)</u>	<u>\$ -</u>	<u>\$ 4,466,530</u>

Capital assets are being depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2020, of \$82,229 was charged to the governmental activities on the government-wide Statement of Activities.

**ILLINOIS CONSERVATION FOUNDATION**  
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For the Year Ended June 30, 2020

**NOTE 7: CAPITAL ASSETS (CONCLUDED)**

The donation of the Torstenson Farm carried stipulations that the Foundation could not sell the land but is able to sell buildings and equipment components as needed. The Foundation uses the property to coordinate and provide youth conservation education activities.

**NOTE 8: LOAN PAYABLE**

On April 13, 2020, the Foundation received loan proceeds in the amount of \$66,271 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The loan is to be repaid in eighteen (18) equal installments of principal and interest beginning on November 13, 2020. On June 5, 2020, the PPP Flexibility Act was passed, extending the deferral of payment for an additional 10 months. This extends the beginning of the repayment of loan to September 13, 2021.

The Foundation has used the proceeds for purposes consistent with the PPP. While the Foundation currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the loan is classified as a financial liability in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires that a governmental entity shall continue to report the loan as a liability until it is legally released from debt. The Foundation will only report an inflow of resources in the reporting period to the extent that the loan has been already fully or partially forgiven.

**NOTE 9: INCOME TAXES**

The Foundation is a non-profit corporation that is exempt from income taxes under Section 501(c)(3) of the United States Revenue Code. As such, donations made to the Foundation are deductible by the donor.

**ILLINOIS CONSERVATION FOUNDATION**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2020

**NOTE 10: RISK MANAGEMENT**

The Foundation carries workers compensation, liability, automobile, and umbrella insurance coverage. Estimated settlements did not exceed the insurance coverage for the past three years.

**NOTE 11: DONOR-RESTRICTED ENDOWMENTS**

The State of Illinois adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective June 30, 2009. The UPMIFA added certain prudent spending measures to the Uniform Management of Institutional Funds Act. In accordance with the UPMIFA, the Board of Directors of the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expended total return from income and the appreciation of investments, other resources of the Foundation, and the investment policies of the Foundation.

Under the terms of the endowment, and consistent with State statutes, the Foundation is authorized based on an income-only policy to spend only the money earned on debt (interest) or received as dividends for activities which support the Foundation's mission and goals.

**NOTE 12: IMPACT OF THE CORONAVIRUS DISEASE 2019 (COVID-19)**

The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. The Foundation has been consistently following and adhering to the guidance and regulations mandated by federal, state and local governments, in an effort to mitigate the spread of COVID-19. As such, the Foundation has cancelled all events, which do not fit within safety guidelines. The Foundation continues to monitor developments, including government requirements and recommendations at the national, state, and local level, and continues to adhere to such.

The Foundation's financial position, cash flows and results of operations have been impacted by COVID-19. The Foundation views that it will continue to impact its fundraising abilities, and therefore, its financial position, cash flows, and results of operations, in the fiscal year immediately following the current fiscal year. However, the Foundation is implementing new and alternative ways to compensate for the negative impact of the COVID-19, such as expanding to social media, appeal letters and raffles. Additionally, the Foundation doubles its efforts and continues to apply for grants and private funding.

**ILLINOIS CONSERVATION FOUNDATION**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2020

**NOTE 12: IMPACT OF THE CORONAVIRUS DISEASE 2019 (COVID-19) (CONCLUDED)**

As the COVID-19 pandemic is complex and rapidly evolving, Foundation's plans as described above may change. At this point, the Foundation cannot reasonably estimate the duration and severity of this pandemic, which could have a continued impact on its business, results of operations, financial position and cash flows. However, at this time, the Foundation believes that COVID-19 will not prohibit the Foundation from operating in the near future and continues to see that the Foundation will be operating in the foreseeable future.



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

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Directors  
Illinois Conservation Foundation

**Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the remaining fund information of the Illinois Conservation Foundation (Foundation), as of and for the year ended June 30, 2020, 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 November 18, 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 item 2020-001.

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 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 item 2020-001 that we consider to be a material weakness.

### **Foundation's Response to the Finding**

The Foundation's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
November 18, 2020



**ILLINOIS CONSERVATION FOUNDATION**  
(A Component Unit of the State of Illinois)  
**SCHEDULE OF FINDINGS- GOVERNMENT AUDITING STANDARDS**  
For the Year Ended June 30, 2020

2020-001. **FINDING** (Weaknesses over Receipts Process)

The Illinois Conservation Foundation (Foundation) had weaknesses over its receipts process.

During testing, the following conditions were noted:

- The Foundation did not maintain proper segregation of custody and recordkeeping duties over its receipts process. A consultant from an outside accounting firm contracted to perform bookkeeping services records receipts, prepares deposit summary, and electronically deposits funds into the bank. Cash receipts are sometimes physically deposited by the same individual to the bank.
- Eight of 8 (100%) monthly bank reconciliations prepared by the consultant were not reviewed by management.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Foundation to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Prudent business practices require proper internal controls such as proper segregation of duties and adequate review be established to ensure the accuracy and reliability of accounting data.

Foundation management stated as they did in the prior year, the above issues were due to limited staffing resources.

Failure to maintain proper segregation of duties may result in theft or misappropriation of assets which may not be prevented or detected. Lack of review of monthly bank reconciliations may result in inaccurate financial records and inappropriate charges not timely detected and corrected. (Finding Code No. 2020-001, 2019-001)

**RECOMMENDATION**

We recommend management increase its oversight of the receipts process performed by its contractor to timely prevent or detect misstatements.

**FOUNDATION RESPONSE**

The Foundation agrees and will increase oversight of the receipts process.

**ILLINOIS CONSERVATION FOUNDATION**  
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**SCHEDULE OF FINDINGS – PRIOR FINDING NOT REPEATED**  
For the Year Ended June 30, 2020

A. **FINDING** (Inadequate Controls Over Capital Assets)

During the prior audit, the Illinois Conservation Foundation (Foundation) did not have adequate controls over its capital assets. Specifically, we noted the Foundation’s listing of capital assets was not complete or accurate and the Foundation did not maintain a listing of items below the capitalization threshold of \$5,000 or conduct regular inspection of its capital assets.

During the current audit, our testing showed the Foundation strengthened its controls over its capital assets. (Finding Code No. 2019-002)