

**ASSOCIATION OF ILLINOIS SOIL AND WATER  
CONSERVATION DISTRICTS AND RELATED ENTITY  
Springfield, Illinois**

**FINANCIAL STATEMENTS  
For the Years Ended December 31, 2018 and 2017**

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

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## *Pehlman & Dold, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

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October 23, 2019

To the Board of Directors  
Association of Illinois Soil and Water Conservation Districts and Related Entity  
Springfield, Illinois

### ***INDEPENDENT AUDITOR'S REPORT***

We have audited the accompanying consolidated financial statements of Association of Illinois Soil and Water Conservation Districts and Related Entity (a nonprofit organization), which comprise the consolidated statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2018 and 2017, and the related consolidated statements of support, revenue, and expenses – modified cash basis for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***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 of 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 opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Association of Illinois Soil and Water Conservation Districts and Related Entity as of December 31, 2018 and 2017, and their support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

## **Emphasis of Matter**

As discussed in Note 1 to the consolidated financial statements, in 2018 Association of Soil and Water Conservation District and related entity adopted new accounting guidance, Accounting Standard Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2019, on our consideration of the Association of Illinois Soil and Water Conservation District'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standard in considering the Association of Illinois Soil and Water Conservation District's internal control over financial reporting and compliance.

Respectfully submitted,

***DRAFT***

PEHLMAN & DOLD, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
SPRINGFIELD, ILLINOIS

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October 23, 2019

To the Board of Directors  
Association of Illinois Soil and Water Conservation Districts and Related Entity  
Springfield, Illinois

### ***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***

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 Association of Illinois Soil and Water Conservation Districts, Springfield, Illinois, which comprise the consolidated statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2018 and 2017, and the related consolidated statements of support, revenue, and expenses – modified cash basis for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2019.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Association of Illinois Soil and Water Conservation Districts, Springfield, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association of Illinois Soil and Water Conservation Districts, Springfield, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the Association of Illinois Soil and Water Conservation Districts, Springfield, Illinois' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be significant deficiencies.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Association of Illinois Soil and Water Conservation Districts, Springfield, Illinois' financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***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.

Respectfully submitted,

***DRAFT***

PEHLMAN & DOLD, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
SPRINGFIELD, ILLINOIS

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October 23, 2019

To the Board of Directors  
Association of Illinois Soil and Water Conservation Districts and Related Entity  
Springfield, Illinois

### ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE***

#### ***Report on Compliance for Each Major Federal Program***

We have audited the Association of Soil and Water Conservation Districts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association of Soil and Water Conservation Districts' major federal programs for the year ended December 31, 2018. The Association of Soil and Water Conservation Districts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Association of Soil and Water Conservation Districts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association of Soil and Water Conservation Districts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association of Soil and Water Conservation Districts' compliance.

#### ***Basis of Qualified Opinion on Conservation Technical Assistance Program and Conservation Reserve Program***

As described in the accompanying schedule of findings and questioned costs, the Association of Illinois Soil and Water Conservation Districts did not comply with requirements regarding CFDA 10.902 Conservation Technical Assistance Program and CFDA 10.069 Conservation Reserve Program as described in finding number 2018-002 for subrecipient monitoring. Compliance with such requirements is necessary, in our opinion, for the Association of Illinois Soil and Water Conservation Districts to comply with the requirement applicable to this program.

### ***Qualified Opinion on Conservation Technical Assistance Program and Conservation Reserve Program***

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion Paragraph, the Association of Illinois Soil and Water Conservation Districts complied in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on Conservation of Technical Assistance Program and Conservation Reserve Program for the year ended December 31, 2018.

### ***Report on Internal Control Over Compliance***

Management of the Association of Soil and Water Conservation Districts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association of Soil and Water Conservation Districts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association of Soil and Water Conservation Districts' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management of employees, in the normal course of performing their assigned function, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

***DRAFT***

PEHLMAN & DOLD, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
SPRINGFIELD, ILLINOIS



ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois

CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS  
MODIFIED CASH BASIS  
December 31, 2018 and 2017

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash	\$271,796	\$485,736
Certificates of deposit	<u>31,048</u>	<u>5,981</u>
<b>Total current assets</b>	<u>302,844</u>	<u>491,717</u>
<b>Fixed Assets</b>		
Furniture, fixtures & equipment	44,377	44,377
Land and building	273,416	273,416
Vehicles	19,372	19,372
Accumulated depreciation	<u>(169,919)</u>	<u>(154,028)</u>
<b>Total fixed assets</b>	<u>167,246</u>	<u>183,137</u>
<b>TOTAL ASSETS</b>	<u>\$470,090</u>	<u>\$674,854</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Due to Macon County	\$ 525	\$ 1,059
Payroll taxes payable	3,191	
Accumulated compensated absences	10,065	
Current maturities of long-term-debt		3,811
Current maturities of capital lease obligation	<u>1,045</u>	<u>1,140</u>
<b>Total current liabilities</b>	<u>14,826</u>	<u>6,010</u>
Capital lease obligation – net of current maturities	<u>          </u>	<u>1,045</u>
<b>Total long-term liabilities</b>	<u>          </u>	<u>1,045</u>
<b>Total liabilities</b>	<u>14,826</u>	<u>7,055</u>
<b>Net Assets</b>		
Without donor restrictions	431,866	644,518
With donor restrictions	<u>23,398</u>	<u>23,281</u>
<b>Total net assets</b>	<u>455,264</u>	<u>667,799</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$470,090</u>	<u>\$674,854</u>

The notes to financial statements are an integral part of this statement.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

**CONSOLIDATED STATEMENT OF SUPPORT, REVENUE AND EXPENSES  
MODIFIED CASH BASIS  
Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><i>Support and Revenue</i></b>			
Dues	\$ 111,654	\$	\$ 111,654
Grants	1,907,667		1,907,667
Interest	3,917	117	4,034
Program services	21,761		21,761
Insurance revenue	79,922		79,922
Meetings and conferences	23,075		23,075
Miscellaneous	<u>2,553</u>	<u>          </u>	<u>2,553</u>
<b><i>Total support and revenue</i></b>	<b><u>2,150,549</u></b>	<b><u>117</u></b>	<b><u>2,150,666</u></b>
<b><i>Expenses</i></b>			
Program services	2,180,921		2,180,921
General and administrative	<u>182,280</u>	<u>          </u>	<u>182,280</u>
<b><i>Total expenses</i></b>	<b><u>2,363,201</u></b>	<b><u>          </u></b>	<b><u>2,363,201</u></b>
<b><i>Change in Net Assets</i></b>	<b>( 212,652)</b>	<b>117</b>	<b>( 212,535)</b>
<b><i>Net Assets – Beginning of Year</i></b>	<b><u>644,518</u></b>	<b><u>23,281</u></b>	<b><u>667,799</u></b>
<b><i>Net Assets – End of Year</i></b>	<b><u>\$ 431,866</u></b>	<b><u>\$ 23,398</u></b>	<b><u>\$ 455,264</u></b>

The notes to financial statements are an integral part of this statement.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

**CONSOLIDATED STATEMENT OF SUPPORT, REVENUE AND EXPENSES  
MODIFIED CASH BASIS  
Year Ended December 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><i>Support and Revenue</i></b>			
Dues	\$ 109,624	\$	\$ 109,624
Grants	1,745,827		1,745,827
Interest	1,016	42	1,058
Program services	26,932		26,932
Insurance revenue	63,740		63,740
Meetings and conferences	20,781		20,781
Strategic plan	10,000		10,000
Miscellaneous	<u>2,117</u>	<u>          </u>	<u>2,117</u>
<b><i>Total support and revenue</i></b>	<b><u>1,980,037</u></b>	<b><u>42</u></b>	<b><u>1,980,079</u></b>
<b><i>Expenses</i></b>			
Program services	1,630,682		1,630,682
General and administrative	<u>129,090</u>	<u>          </u>	<u>129,090</u>
<b><i>Total expenses</i></b>	<b><u>1,759,772</u></b>	<b><u>          </u></b>	<b><u>1,759,772</u></b>
<b><i>Change in Net Assets</i></b>	<b>220,265</b>	<b>42</b>	<b>220,307</b>
<b><i>Net Assets – Beginning of Year</i></b>	<b><u>424,253</u></b>	<b><u>23,239</u></b>	<b><u>447,492</u></b>
<b><i>Net Assets – End of Year</i></b>	<b><u>\$ 644,518</u></b>	<b><u>\$ 23,281</u></b>	<b><u>\$ 667,799</u></b>

The notes to financial statements are an integral part of this statement.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
MODIFIED CASH BASIS  
Year Ended December 31, 2018**

	<u>Program Services</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Salaries	\$ 127,407	\$ 42,469	\$ 169,876
Payroll taxes	12,160	4,054	16,214
Employee health insurance	8,683	2,894	11,577
Compensated absences	7,548	2,517	10,065
Insurance expense	87,654		87,654
Contractual services		24,000	24,000
Professional fees		38,036	38,036
Travel	2,615	2,616	5,231
Annual meeting	39,076		39,076
Board meeting	4,227	4,227	8,454
Depreciation		15,891	15,891
Legislative expenses		2,436	2,436
AISWCD officer expense		5,077	5,077
Envirothon	15,141		15,141
Office expense		17,795	17,795
Building maintenance		4,997	4,997
Dues	2,075		2,075
Grants	1,865,997		1,865,997
Vehicle costs	690	689	1,379
NACD expense	3,934		3,934
Annual report filing fees	26		26
Earth stewardship day	1,583		1,583
Training	2,105		2,105
Miscellaneous	<u>          </u>	<u>14,582</u>	<u>14,582</u>
<b>Total</b>	<b><u>\$2,180,921</u></b>	<b><u>\$182,280</u></b>	<b><u>\$2,363,201</u></b>

The notes to financial statements are an integral part of this statement.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
MODIFIED CASH BASIS  
Year Ended December 31, 2017**

	<u>Program Services</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Salaries	\$ 94,351	\$ 31,451	\$ 125,802
Payroll taxes	8,361	2,787	11,148
Employee health insurance	13,162	4,387	17,549
Insurance expense	94,119		94,119
Contractual services		24,000	24,000
Professional fees		9,819	9,819
Travel	3,201	3,202	6,403
Annual meeting	25,049		25,049
Board meeting	2,349	2,348	4,697
Depreciation		16,008	16,008
Legislative expenses		815	815
AISWCD officer expense		8,115	8,115
Envirothon	14,866		14,866
Office expense	7,861	18,706	26,567
Interest		144	144
Building maintenance		3,590	3,590
Dues	470		470
Grants	1,347,860		1,347,860
Vehicle costs	463	239	702
NACD expense	539		539
Annual report filing fees	351		351
Farm progress show	13,689		13,689
Earth stewardship day	1,668		1,668
Training	2,323		2,323
Miscellaneous	<u>          </u>	<u>3,479</u>	<u>3,479</u>
<b>Total</b>	<b><u>\$1,630,682</u></b>	<b><u>\$129,090</u></b>	<b><u>\$1,759,772</u></b>

The notes to financial statements are an integral part of this statement.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

**NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2018 and 2017**

**Note 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Activities***

The Association is organized as a not-for-profit corporation for the purpose of advancing the conservation and orderly development, management, improvement and multiple use of natural resources of the State of Illinois through serving Soil and Water Conservation Districts as the State Association of Soil and Water Conservation Districts.

The Association was established to assist in developing and furthering the interest, objectives, and purposes of the Association of Illinois Soil and Water Conservation Districts.

*A summary of the significant accounting policies follows:*

*Principles of Consolidation:*

The consolidated financial statements include the accounts of the Association of Illinois Soil and Water Conservation Districts (an Illinois corporation, not-for-profit) and the Association of Illinois Soil and Water Conservation Districts Foundation (a related entity). All material intercompany accounts and transactions are eliminated in consolidation.

*Basis of Accounting:*

The Association and the Foundation maintain their accounts and file their information returns on the modified cash basis of accounting. Under this method, income and grants with multiple-deliverable-agreements are recorded when received rather than when earned and expenses are recorded when paid rather than when incurred. However, fixed assets are capitalized when placed in service, compensated absences are accrued when earned, and long-term debt has been recorded for the acquisition of the land, building, and equipment.

*Financial Statement Presentation:*

During 2018, the Association adopted Statement of Financial Accounting Standards FASB ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Organizations." Under FASB ASU 2016-14, the Association is required to report information regarding its financial position and activities according to two classes of net assets; net assets with donor restrictions and net assets without donor restrictions.

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Association's net assets and changes to are classified and reported as follows:

- With donor restrictions – net assets that are subject to donor-imposed restrictions. These include net assets that are subject to time or purpose restrictions. Assets with time or purpose restrictions are satisfied either by the passage of time or by actions of the Association. Donor restricted endowments must be maintained permanently by the Association and only earnings may be used as specified by the donor. Donor restricted endowments consist primarily of the historical dollar value of the contribution to the donor restricted endowment fund.
- Without donor restrictions – net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.

Contributions and other revenue are reported as increases in net assets without donor restriction unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. If an expense is incurred for a purpose for which net assets with donor restrictions are available, a donor-imposed restriction is fulfilled to the extent of the expense incurred. When a donor restriction expires or the restrictive purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as release from restrictions in the statement of activities.

*Expense Allocation:*

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of support, revenue and expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

**NOTES TO FINANCIAL STATEMENTS - continued  
For the Years Ended December 31, 2018 and 2017**

**Note 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Estimates:

The preparation of financial statements required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents:

The Association considers all highly-liquid investments with a maturity of one year or less to be cash equivalents.

Fixed Assets:

It is the Association's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased equipment is capitalized at cost. Donations of equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in services as instructed by the donor. The Association reclassified temporarily restricted net assets to unrestricted net assets at that time. Fixed assets are depreciated using the straight-line method over their estimated useful lives:

	<u>Years</u>
Buildings	39
Improvements	15
Furniture and equipment	5-10
Vehicles	10

Accumulated Compensated Absences:

During 2018, the Association adopted a policy permitting employees to accumulate vacation, personal leave and sick leave that can be carried forward to the following year. Employees are allowed to accumulate and carry forward to the following year up to a maximum of 40 hours of vacation and 16 hours of personal leave. All earned and unused sick hours may be carried forward to the following year. Upon termination employment, all earned and unused vacation and personal leave will be paid out. For sick leave, accumulated earned and unused sick hours will be paid out up to a maximum of 120 hours.

Subsequent Events:

Management has evaluated subsequent events for recognition and disclosure in the financial statements through November 19, 2019, which is the date that the financial statements were available to be issued. Through November 19, 2019, no subsequent events required recognition or disclosures in the financial statements.

**Note 2. INCOME TAXES**

The Association of Illinois Soil and Water Conservation Districts is a not-for-profit organization under Section 501(c)(4) of the Internal Revenue Code and, therefore, is exempt from Federal income taxes under Section 501(a) of the Code. The Association is required to file Form 990, Return of Organization Exempt from Income Tax.

The Association of Illinois Soil and Water Conservation Districts Foundation is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is exempt from Federal income taxes under Section 501(a) of the Code. The Foundation is required to file Form 990, Return of Organization Exempt from Income Tax.

The Association is no longer subject to income tax examinations by the U.S. Federal and State Taxing Authorities prior to 2015.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

**NOTES TO FINANCIAL STATEMENTS - continued  
For the Years Ended December 31, 2018 and 2017**

**Note 3. CAPITAL LEASES**

The Association entered into a capital lease for office equipment during the year ended December 31, 2014. The economic substance of the lease is that the Association is financing the acquisition of the equipment through the lease, and accordingly, it is recorded in the Association's assets and liabilities.

The leased asset is included in furniture, fixtures, and equipment as follows:

Copier	\$5,700
Less accumulated depreciation	<u>(4,750)</u>
	<u>\$ 950</u>

The following is a schedule of future minimum lease payments under capital lease obligations, all of which is current

For the year Ending December 31	Amount
2019	<u>\$ 1,045</u>

**Note 4. PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment as of December 31:

	<u>2018</u>	<u>2017</u>
Assets not being depreciated:		
Land	\$ 23,683	\$ 23,683
Assets being depreciated:		
Building	249,733	249,733
Furniture, fixtures and equipment	44,377	44,377
Vehicles	<u>19,372</u>	<u>19,372</u>
<b>Total property and equipment</b>	337,165	337,165
Less accumulated depreciation	<u>(169,919)</u>	<u>(154,028)</u>
<b>Net property and equipment</b>	<u>\$167,246</u>	<u>\$183,137</u>

Depreciation expense for the years ended December 31, 2018 and 2017 were \$15,891 and \$16,008, respectively.

**Note 5. LONG-TERM DEBT**

	Balance <u>12/31/17</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>12/31/18</u>
National Bank of Petersburg	<u>\$ 3,811</u>	<u>\$ _____</u>	<u>\$(3,811)</u>	<u>\$ -0-</u>

On February 27, 2014, the Association obtained a commercial loan from National Bank of Petersburg used to finance the purchase of a 2014 Dodge Grand Caravan, which serves as collateral. Total amount of the loan was \$19,372 with an interest rate of 2.25%. The loan required 60 monthly principle and interest payments of \$353. The original maturity date was February 27, 2019. Due to early payments made by the Association, the loan is expected to mature on December 27, 2018. As of December 31, 2018, this obligation was paid in full.



**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
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Springfield, Illinois**

**NOTES TO FINANCIAL STATEMENTS - continued  
For the Years Ended December 31, 2018 and 2017**

**Note 6.      *NET ASSETS WITH DONOR RESTRICTIONS***

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the net assets are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Support, Revenue and Expenses – Modified Cash Basis.

The Foundation has been entrusted with administering the George McKibben Scholarship Fund, which provides an annual scholarship of up to \$1,000 to an agriculture student from one of four selected Illinois universities. Donor restricted net assets consist of an initial donation of \$20,000 plus earnings.

Following is a summary of donor restricted net assets at December 31:

Balance – January 1, 2017	\$ 23,239
Earnings on investments	<u>42</u>
Balance – December 31, 2017	23,281
Earnings on investments	<u>117</u>
Balance – December 31, 2018	\$ <u>23,398</u>

**Note 7.      *CONCENTRATION OF CREDIT RISK – CASH AND CERTIFICATES OF DEPOSIT***

The Association maintains cash and certificate of deposit balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2018, the Association and one financial institution with deposits of \$32,698 in excess of FDIC insurance. The Association has not experienced any loss on such accounts and believes it is not exposed to any significant credit risk on its cash balance.

**Note 8.      *CONCENTRATION – MAJOR SOURCES OF SUPPORT***

The Association received the majority of its support from the Natural Resource Conservation Service. The percentage of support for the year ending December 2018 and 2017 were approximately 85.9% and 82.3%.

**Note 9.      *ENDOWMENT***

The Foundation's endowment fund was established for scholarship purposes. The fund is donor-restricted and as required by GAAP, net assets associated with endowment funds is classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted Illinois' Uniform Prudent Management of Institutional Funds Act (UPMIFA) as required the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets of a perpetual nature with donor restrictions as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as donor restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate appreciation of donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purposes of the organization and the endowment fund
- (3) General economic conditions
- (4) The effects of inflation or deflation
- (5) The expected total return from investments
- (6) Other resources of the organization
- (7) The investment policy of the organization

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

**NOTES TO FINANCIAL STATEMENTS - continued  
For the Years Ended December 31, 2018 and 2017**

**Note 9.      *ENDOWMENT***

**Endowment Net Asset Composition by Type of Fund  
As of December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ _____	\$ <u>23,398</u>	\$ <u>23,398</u>

**Changes in Endowment Net Assets  
For the Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ _____	\$ 23,281	\$ 23,281
Investment return:			
Investment income	_____	117	118
Endowment net assets, end of year	\$ _____	\$ <u>23,398</u>	\$ <u>23,398</u>

**Endowment Net Asset Composition by Type of Fund  
As of December 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ _____	\$ <u>23,281</u>	\$ <u>23,281</u>

**Changes in Endowment Net Assets  
For the Year Ended December 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ _____	\$ 23,263	\$ 23,263
Investment return:			
Investment income	_____	18	18
Endowment net assets, end of year	\$ _____	\$ <u>23,281</u>	\$ <u>23,281</u>

**Funds with Deficiencies:**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at December 31, 2018 or 2017.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
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Springfield, Illinois**

**NOTES TO FINANCIAL STATEMENTS - continued  
For the Years Ended December 31, 2018 and 2017**

**Note 9.      *ENDOWMENT***

*Return Objectives and Risk Parameters:*

The Foundation has adopted investment and spending policies for endowment assets that attempt to achieve a maximum total return to fund the Foundation's objective of providing scholarships while assuming a prudent degree of risk. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner to achieve a maximum return consistent with reasonable risk as defined by current industry practices and standards.

**Note 10.    *LIQUIDITY AND AVAILABILITY***

The Association regularly monitors liquidity required to meet its operating needs and other financial obligations, while striving to maximize the investment of its available funds. The Association typically invests its available funds in interest bearing accounts or short-term investments such as interest bearing checking accounts, savings accounts or certificates of deposit.

For purposes of analyzing resources available to meet general expenditures, the Association considers all expenditures related to its ongoing operations as well as expenditures related to the support of its member districts.

Financial assets for general expenditures available within one year from December 31, 2018 and 2017 are as follows:

<u>December 31,</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$271,796	\$485,736
Certificates of deposit	31,048	5,981
Total financial assets	<u>302,844</u>	<u>491,717</u>
Less: Endowments funds restricted by donor	( 23,398)	( 23,281)
Total financial assets available for general expenditures within one year	279,446	468,436
Other resources available		
Line of credit	<u>10,000</u>	<u>10,000</u>
Total financial assets and other resources available for general expenditures within one year	<u>\$289,446</u>	<u>\$478,436</u>

**Note 11.    *CONTINGENCIES***

The Association has received funding from federal grants in the current and prior years which are subject to audits by the granting agencies. Management believes any adjustments that may arise from the audits will be insignificant to the Association's operations.

**Note 12.    *RECLASSIFICATIONS***

Due to adoption of FASB ASC 2016-14, certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

## **SUPPLEMENTARY INFORMATION**

Todd J. Anderson, C.P.A.  
Dorinda L. Fitzgerald, C.P.A.  
Jamie L. Nichols, C.P.A.

## *Pehlman & Dold, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Joseph E. Pehlman, C.P.A. (1941-1984)  
Joseph B. Dold, C.P.A. (1953-2005)  
Robert E. Ritter, C.P.A., Retired  
J. Timothy Cravens, C.P.A., Retired

100 North Amos Avenue  
Springfield, IL 62702  
217-787-0563  
FAX 217-787-9266

October 23, 2019

To the Board of Directors  
Association of Illinois Soil and Water Conservation Districts and Related Entity  
Springfield, Illinois

### ***INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION***

We have audited the basic financial statements of the Association of Illinois Soil and Water Districts and Related Entity as of and for the years ended December 31, 2018 and 2017, and have issued our report thereon dated October 23, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,

***DRAFT***

PEHLMAN & DOLD, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
SPRINGFIELD, ILLINOIS

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

**CONSOLIDATING STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS  
MODIFIED CASH BASIS  
For the Years Ended December 31, 2018 and 2017**

**ASSETS**

	<u>Association</u>	<u>Foundation</u>	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>				
Cash and cash equivalents	\$265,710	\$ 6,086	\$271,796	\$485,736
Certificates of deposit	<u>          </u>	<u>31,048</u>	<u>31,048</u>	<u>5,981</u>
<b>Total current assets</b>	<u>265,710</u>	<u>37,134</u>	<u>302,844</u>	<u>491,717</u>
<b>Fixed Assets</b>				
Furniture, fixtures & equipment	44,377		44,377	44,377
Land and building	273,416		273,416	273,416
Vehicles	19,372		19,372	19,372
Accumulated depreciation	(169,919)	<u>          </u>	(169,919)	(154,028)
<b>Total fixed assets</b>	<u>167,246</u>	<u>          </u>	<u>167,246</u>	<u>183,137</u>
<b>TOTAL ASSETS</b>	<u>\$432,956</u>	<u>\$ 37,134</u>	<u>\$470,090</u>	<u>\$674,854</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>				
Due to Macon County	\$ 525	\$	\$ 525	\$
Payroll taxes payable	3,191		3,191	1,059
Accumulated compensated absences	10,065		10,065	
Current maturities – note payable				3,811
Current maturities – capital lease obligation	<u>1,045</u>	<u>          </u>	<u>1,045</u>	<u>1,140</u>
<b>Total current liabilities</b>	<u>14,826</u>	<u>          </u>	<u>14,826</u>	<u>6,010</u>
Capital lease obligation – less current maturities	<u>          </u>	<u>          </u>	<u>          </u>	<u>1,045</u>
<b>Total long-term liabilities</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>1,045</u>
<b>Total liabilities</b>	<u>14,826</u>	<u>          </u>	<u>14,826</u>	<u>7,055</u>
<b>Net Assets</b>				
Without donor restrictions	418,130	13,736	431,866	644,518
With donor restrictions	<u>          </u>	<u>23,398</u>	<u>23,398</u>	<u>23,281</u>
<b>Total net assets</b>	<u>418,130</u>	<u>37,134</u>	<u>455,264</u>	<u>667,799</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$432,956</u>	<u>\$ 37,134</u>	<u>\$470,090</u>	<u>\$674,854</u>

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

**CONSOLIDATING STATEMENTS OF SUPPORT, REVENUE AND EXPENSES  
MODIFIED CASH BASIS  
For the Years Ended December 31, 2018 and 2017**

	<u>Association</u>	<u>Foundation</u>	<u>2018</u>	<u>2017</u>
<b><i>Support and Revenue</i></b>				
Membership Dues	\$ 111,654	\$	\$ 111,654	\$ 109,624
Grants	1,907,667		1,907,667	1,745,827
Interest	3,850	184	4,034	1,058
Program services	21,761		21,761	26,932
Insurance revenue	79,922		79,922	63,740
Meetings and conferences	22,575	500	23,075	20,781
Strategic plan				10,000
Miscellaneous	<u>2,553</u>	<u></u>	<u>2,553</u>	<u>2,117</u>
<b><i>Total support and revenue</i></b>	<u>2,149,982</u>	<u>684</u>	<u>2,150,666</u>	<u>1,980,079</u>
<b><i>Expenses</i></b>				
Salaries	169,876		169,876	125,802
Payroll taxes	16,214		16,214	21,630
Compensated absences	10,065		10,065	
Employee health insurance	11,577		11,577	17,549
Insurance expense	87,654		87,654	94,119
Contractual services	24,000		24,000	24,000
Professional fees	38,036		38,036	9,819
Travel	5,231		5,231	6,403
Annual meeting	39,076		39,076	25,049
Board meeting	8,454		8,454	4,697
Depreciation	15,891		15,891	16,008
Legislative expense	2,436		2,436	815
AISWCD officer expense	5,077		5,077	8,115
Envirothon	15,141		15,141	14,866
Office expense	17,795		17,795	16,085
Interest				144
Building maintenance	4,997		4,997	3,590
Dues	2,075		2,075	470
Grants	1,865,997		1,865,997	1,347,860
Vehicle costs	1,379		1,379	702
NACD expense	3,934		3,934	539
Annual report filing fees	26		26	351
Farm progress show				13,689
Earth stewardship day	1,583		1,583	1,668
Training	2,105		2,105	2,323
Miscellaneous	<u>14,482</u>	<u>100</u>	<u>14,582</u>	<u>3,479</u>
<b><i>Total expenses</i></b>	<u>2,363,101</u>	<u>100</u>	<u>2,363,201</u>	<u>1,759,772</u>
<b><i>Change in Net Assets</i></b>	( 213,119)	584	( 212,535)	220,307
<b><i>Net Assets – Beginning of Year</i></b>	<u>631,249</u>	<u>36,550</u>	<u>667,799</u>	<u>447,492</u>
<b><i>Net Assets – End of Year</i></b>	<u>\$ 418,130</u>	<u>\$ 37,134</u>	<u>\$ 455,264</u>	<u>\$667,799</u>

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

**CONSOLIDATED COMPARISON OF BUDGETED REVENUES AND EXPENSES TO ACTUAL  
MODIFIED CASH BASIS  
For the Year Ended December 31, 2018**

	<u>Consolidated</u>	<u>Budget</u>	<u>Variance</u>
<b><i>Support and Revenue</i></b>			
Membership Dues	\$ 111,654	\$ 105,167	\$ 6,487
Grants	1,907,667	2,867,480	( 959,813)
Interest	4,034	530	3,504
Program services:			
Envirothon revenue	19,361	17,000	2,361
Earth Stewardship Day	2,400	4,600	( 2,200)
Insurance revenue	79,922	100,000	( 20,078)
Meetings and conferences	23,075	20,000	3,075
Miscellaneous	<u>2,553</u>	<u>          </u>	<u>2,553</u>
<b><i>Total support and revenue</i></b>	<u>2,150,666</u>	<u>3,114,777</u>	<u>( 964,111)</u>
<b><i>Expenses</i></b>			
Salaries	169,876	180,000	( 10,124)
Payroll taxes	16,214	15,000	1,214
Compensated absences	10,065		10,065
Employee health insurance	11,577	50,000	( 38,423)
Insurance expense	87,654	100,000	( 12,346)
Contractual services	24,000	24,000	
Professional fees	38,036	9,750	28,286
Travel	5,231	5,000	231
Annual meeting	39,076	20,000	19,076
Board meeting	8,454	6,000	2,454
Depreciation	15,891		15,891
Legislative expense	2,436	1,550	886
AISWCD officer expense	5,077	11,800	( 6,723)
Envirothon	15,141	17,000	( 1,859)
Office expense	17,795	16,220	1,575
Building maintenance	4,997	12,000	( 7,003)
Dues	2,075	1,735	340
Grants	1,865,997	2,639,190	( 773,193)
Vehicle costs	1,379	5,680	( 4,301)
NACD expense	3,934	3,500	434
Annual report filing fees	26	1,000	( 974)
Earth stewardship day	1,583	4,600	( 3,017)
Training	2,105	4,000	( 1,895)
Miscellaneous	<u>14,582</u>	<u>2,332</u>	<u>12,250</u>
<b><i>Total expenses</i></b>	<u>2,363,201</u>	<u>3,130,357</u>	<u>( 767,156)</u>
<b><i>Change in Net Assets</i></b>	<u>\$ ( 212,535)</u>	<u>\$ ( 15,580)</u>	<u>\$ ( 196,955)</u>



**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
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Springfield, Illinois**

**CONSOLIDATED COMPARISON OF BUDGETED REVENUE AND EXPENSES TO ACTUAL  
MODIFIED CASH BASIS  
For the Year Ended December 31, 2017**

<b><i>Support and Revenue</i></b>	<b><u>Consolidated</u></b>	<b><u>Budget</u></b>	<b><u>Variance</u></b>
Dues	\$ 109,624	\$ 116,100	\$ ( 6,476)
Grants	1,745,827	2,794,815	(1,048,988)
Interest	1,058	250	808
<i>Program services:</i>			
Envirothon revenue	17,391		17,391
Earth stewardship day	1,000	4,600	( 3,600)
Legislative day	688		688
Farm progress show	7,853	1,700	6,153
Insurance revenue	63,740	100,000	( 36,260)
Meeting and conferences	20,781	20,000	781
Affiliate membership	10,000	27,000	( 17,000)
Miscellaneous	<u>2,117</u>	<u>100</u>	<u>2,017</u>
<b><i>Total support and revenue</i></b>	<b><u>1,980,079</u></b>	<b><u>3,064,565</u></b>	<b><u>(1,084,486)</u></b>
<b><i>Expenses</i></b>			
Salaries	125,802	140,000	( 14,198)
Payroll taxes	11,148		11,148
Employee health insurance	17,549	20,000	( 2,451)
Insurance expense	94,119	100,000	( 5,881)
Contractual services	24,000	24,000	
Professional fees	9,819	8,950	869
Travel	6,403	3,500	2,903
Annual meeting	25,049	15,000	10,049
Board meeting	4,697	6,000	( 1,303)
Depreciation	16,008		16,008
Legislative expenses	815	1,550	( 735)
AISWCD officer expense	8,115	11,800	( 3,685)
Envirothon	14,866		14,866
Office expense	26,567	15,635	10,932
Interest	144		144
Building maintenance	3,590	12,000	( 8,410)
Dues	470	1,735	( 1,265)
Grants	1,347,860	2,639,190	(1,291,330)
Vehicle costs	702	5,680	( 4,978)
NACD expense	539	3,500	( 2,961)
Passthrough funds		27,000	( 27,000)
Annual report filing fees	351	1,000	( 649)
Farm progress show	13,689	1,000	12,689
Earth stewardship day	1,668	4,600	( 2,932)
Training	2,323	4,000	( 1,677)
Miscellaneous	<u>3,479</u>	<u>2,332</u>	<u>1,147</u>
<b><i>Total expenses</i></b>	<b><u>1,759,772</u></b>	<b><u>3,048,472</u></b>	<b><u>(1,288,700)</u></b>
<b><i>Change in Net Assets</i></b>	<b><u>\$ 220,307</u></b>	<b><u>\$ 16,093</u></b>	<b><u>\$ 204,214</u></b>

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
AND RELATED ENTITY  
Springfield, Illinois**

**Schedule of Findings and Responses  
For the Year Ended December 31, 2018**

<b>Finding Number:</b>	2018-001
<b>This finding is:</b>	New
<b>Condition:</b>	Year-end financial statements required material adjustments relating to out of balance cash in bank and net asset accounts, and statement of activity mispostings. Management's review of year-end financial statements did not detect the material misstatements in a timely manner.
<b>Context:</b>	Without proper internal controls over financial reporting that will aid management in the normal course of business to detect and record material adjustments to the financial statements, there is a potential for materially misstated financial statements being relied upon by management and others outside the organization when making financial decisions.
<b>Cause:</b>	Management did not have adequate internal control policies in place to ensure all financial statements were in balance and all activity was recorded properly.
<b>Effect:</b>	Materially misstated financial statements were made available during the audit.
<b>Recommendation:</b>	Management should review all internal controls over financial reporting to ensure they are adequate to detect and timely adjust financial statement accounts.
<b>Management Response/Corrective Action Plan:</b>	Management is aware that material adjustments had to be made to the financial statements. They will work on improving internal controls over financial reporting to ensure accuracy. They have cleared outstanding items from prior fiscal years and will conduct a year-end internal analysis to detect any misstatements.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
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Springfield, Illinois**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018**

Source of Funds	Federal CFDA #	Project or Contract #	Revenues		Total Revenues	Expenditures/Disbursements			Payments to Subrecipients 12/31/18	Obligations/ Encumbrances	Final	Budget
			12/31/17	12/31/18		12/31/17	12/31/17	12/31/18				
US Department of Agriculture												
Passed through Natural Resources												
Conservation Services:												
Conservation Technical Assistance Program (M)	10.902	65-5A12-15-416	\$1,129,333	\$	\$1,129,333	\$ 908,654	\$ 908,654	\$ 147,469	\$ 140,539	\$	\$1,056,123	\$2,765,000
Conservation Technical Assistance Program (M)	10.902	68-5A12-17-009		444,424	444,424			455,571	391,454		455,571	673,648
Total CFDA #10.902			1,129,333	444,424	1,573,757	908,654	908,654	603,040	531,993		1,511,694	
Conservation Stewardship Program	10.924	65-5A12-15-416	119,745		119,745	93,464	93,464	15,175	14,455		108,639	385,000
Environmental Quality Incentive Program	10.912	65-5A12-15-416	23,327		23,327	18,166	18,166	2,997	2,809		21,163	75,000
Wildlife Habitat Incentive Program	10.914	65-5A12-15-416	7,774		7,774	5,196	5,196	1,856	802		7,052	25,000
Conservation Reserve Program (M)	10.069	65-5A12-15-416	349,907		349,907	272,597	272,597	44,851	42,162		317,448	1,125,000
Conservation Reserve Program (M)	10.069	68-5A12-17-009		1,072,008	1,072,008			1,098,898	944,235		1,098,898	1,625,000
Total CFDA #10.069			349,907	1,072,008	1,421,915	272,597	272,597	1,143,749	986,397		1,416,346	
Conservation Security Program	10.921	68-5A12-17-009		329,948	329,948			338,224	290,620		338,224	500,000
Total US Department of Agriculture			1,630,086	1,846,380	3,476,466	1,298,077	1,298,077	2,105,041	1,827,076		3,403,118	
Environmental Protection Agency												
Passed through Illinois Environmental Protection Agency:												
Water Quality Management Planning	66.454	604152	110,000		110,000	42,662	26,367				42,662	110,000
Water Quality Management Planning	66.454	604162		61,287	61,287			39,821	34,916		39,821	80,000
Total Environmental Protection Agency – CFDA #66.454			110,000	61,287	171,287	42,662	26,367	39,821	34,916		82,483	
Total Federal Financial Assistance			\$1,740,086	\$1,907,667	\$3,647,753	\$1,340,739	\$1,324,444	\$2,144,862	\$1,861,992	\$	\$3,485,601	

(M) – Major Program

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
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Springfield, Illinois**

**NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2018**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Association of Illinois Soil and Water Conservation Districts. Federal awards passed through other government agencies are included on the schedule. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

*Basis of Accounting*

The accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting.

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The Association maintains its accounting records for all account groups on the cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts which cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

*Relationship to the Association's Financial Statements*

All Federal Programs:

Federal Awards received are reflected in the Association's financial statements as grant revenue.

Non-Cash Awards:

The Association of Illinois Soil and Water Conservation Districts received no non-cash federal awards during the year ended December 31, 2018.

*Indirect Cost Rate*

The Association has elected to use the 10% de minimis indirect cost rate.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
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Springfield, Illinois**

**NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2018**

**Note 2 - SUBRECIPIENTS (Payments to Districts)**

Of the federal expenditures presented in the schedule of expenditures of federal awards, the Association of Illinois Soil and Water Conservation Districts provided awards to the following subrecipients.

District	US Department of Agriculture						Environmental
	CFDA	CFDA	CFDA	CFDA	CFDA	CFDA	Protection Agency
	#10.902	#10.924	#10.069	#10.921	#10.912	#10.914	CFDA #66.454
Adams County SWCD	\$ 3,437	\$ 4	\$ 8,209	\$2,523	\$ 1	\$	\$
Bond County SWCD	4,505		10,865	3,344			
Boone County SWCD	758		1,829	563			
Brown County SWCD	4,349	202	6,335	1,768	39	11	
Bureau County SWCD	8,261		19,927	6,133			
Calhoun County	5,151		12,425	3,824			
Carroll County	4,182		10,088	3,105			
Cass County SWCD	1,692		4,081	1,256			
Champaign County SWCD	6,985	268	11,342	3,250	52	15	
Christian County SWCD	4,247	143	7,300	2,118	28	8	
Clark County SWCD	7,193	447	8,167	2,112	87	25	
Clay County SWCD	7,386	630	4,888	939	122	35	
Clinton County SWCD	1,696	3	4,025	1,236	1		
Coles County SWCD	4,313	133	7,665	2,239	26	7	
Crawford County SWCD	1,230		2,967	913			
Cumberland County SWCD	16,189	1,012	18,272	4,715	197	56	
DeKalb County SWCD	872		2,103	647			
Dewitt County SWCD	10,347	14	24,663	7,578	3	1	
Douglas County SWCD	1,264		3,048	938			
Edgar County SWCD	3,632		8,760	2,696			
Edwards County SWCD	2,014		4,857	1,495			
Effingham County SWCD	14,408	392	26,694	7,864	76	22	
Fayette County SWCD	25,882	529	51,560	15,394	103	29	
Ford County SWCD	7,583	319	11,745	3,329	62	18	
Franklin County SWCD	3,931	74	7,962	2,384	14	4	
Fulton County SWCD	1,540		3,714	1,143			
Gallatin County SWCD	3,724	42	8,129	2,465	8	2	
Greene County SWCD	2,836		6,840	2,105			
Grundy County SWCD	2,969		7,161	2,204			
Hamilton County SWCD	7,776	73	17,250	5,243	14	4	
Hancock County SWCD	2,690	14	6,203	1,897	3	1	
Henderson County SWCD	6,105	74	13,203	3,997	14	4	
Henry County SWCD	4,912	39	11,045	3,364	8	2	
Iroquois County SWCD	11,359	403	19,117	5,522	78	22	
Jackson County SWCD	3,022		7,289	2,244			
Jasper County SWCD	8,557		20,640	6,353			
Jefferson County SWCD	7,744		18,679	5,749			
Jersey County SWCD	6,039		14,566	4,483			
Jo Daviess County SWCD	2,060		4,970	1,530			
Johnson County SWCD	4,138		9,981	3,072			
Kane DuPage County SWCD	1,439		3,472	1,069			16,166
Kankakee County SWCD	1,789	22	3,871	1,172	4	1	
Kendall County SWCD	3,153		7,605	2,341			
Knox County SWCD	1,422		3,430	1,056			
LaSalle County SWCD	3,949		9,527	2,932			
Lawrence County SWCD	4,930	49	10,895	3,310	9	3	
Lee County SWCD	1,594		3,845	1,183			
Livingston County SWCD	5,522		13,319	4,099			
Logan County SWCD	5,759	288	7,981	2,198	56	16	
Macon County SWCD	5,806		14,005	4,311			
Macoupin County SWCD	5,781		13,946	4,292			
Madison County SWCD	8,701	151	17,881	5,368	30	8	
Marion County SWCD	9,307	352	15,224	4,370	68	20	

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
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**NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2018**

**Note 2 - SUBRECIPIENTS (Payments to Districts) – cont.**

District	US Department of Agriculture						Environmental Protection Agency
	CFDA #10.902	CFDA #10.924	CFDA #10.069	CFDA #10.921	CFDA #10.912	CFDA #10.914	CFDA #66.454
Marshall-Putman SWCD	25,567	1,574	29,349	7,620	306	87	
Mason County SWCD	4,802	343	4,531	1,086	67	19	
Massac County	3,060		7,381	2,272			
McDonough County SWCD	1,977		4,768	1,468			
McHenry-Lake County SWCD	1,322		3,190	982			
McLean County SWCD	1,234		2,977	916			
Menard County	2,589		6,246	1,922			
Mercer County	1,739		4,194	1,291			
Monroe County SWCD	2,622	7	6,180	1,896	1		
Montgomery County SWCD	1,857		4,480	1,379			
Morgan County SWCD	1,234		2,975	916			
Moultrie County SWCD	2,352		5,673	1,746			
North Cook County SWCD	1,167		2,816	867			18,750
Ogle County SWCD	2,917		7,036	2,166			
Peoria County SWCD	4,202		10,136	3,120			
Perry County SWCD	4,264	93	8,369	2,492	18	5	
Piatt County SWCD	2,806		6,769	2,083			
Pike County SWCD	6,554		15,810	4,866			
Pope-Hardin County SWCD	2,022		4,878	1,502			
Pulaski-Alexander County SWCD	5,514		13,300	4,093			
Randolph County SWCD	2,844		6,860	2,111			
Richland County SWCD	1,264		3,048	938			
Rock Island County SWCD	7,888	13	18,772	5,767	2	1	
Saline County SWCD	4,022	81	8,047	2,404	16	4	
Sangamon County SWCD	253		610	188			
Schuyler County SWCD	2,408	8	5,654	1,733	1		
Scott County SWCD	38,839	3,846	14,712	1,076	748	214	
Shelby County SWCD	764		1,842	567			
St. Clair County SWCD	12,846		30,986	9,537			
Stark County SWCD	3,266	11	7,658	2,347	2	1	
Stephenson County SWCD	13,166	75	30,217	9,233	15	4	
Tazewell County SWCD	3,672	13	8,596	2,634	2	1	
Union County SWCD	6,221	192	11,060	3,232	37	11	
Vermillion County SWCD	1,825		4,403	1,355			
Wabash County SWCD	379		914	282			
Warren County SWCD	1,264		3,048	938			
Washington County SWCD	1,390		3,353	1,032			
Wayne County SWCD	9,421	477	12,934	3,553	93	26	
White County SWCD	8,842	152	18,209	5,468	30	9	
Whiteside County SWCD	27,490	1,326	39,081	10,838	258	74	
Williamson County SWCD	2,084		5,026	1,547			
Will-South County SWCD	1,590		3,836	1,181			
Winnebago County SWCD	10,487	567	13,654	3,693	110	32	
Woodford County SWCD	3,837		9,254	2,848			
	<u>\$531,993</u>	<u>\$14,455</u>	<u>\$986,397</u>	<u>\$290,620</u>	<u>\$2,809</u>	<u>\$ 802</u>	<u>\$34,916</u>

**Note 3 - CONTINGENCIES**

The Association of Soil and Water Conservation District receives awards under various federal grant programs which must be expended according to provisions established by the various grants. Compliance with the grant provisions are subject to audit by the various granting agencies which may impose sanctions in the event of non-compliance. Management believes they have complied with all aspects of the grant provisions and they feel the results of any adjustments would have an immaterial impact on the financial statements taken as a whole.

**Note 4 - INSURANCE, LOANS AND LOAN GUARANTEES OUTSTANDING**

As of December 31, 2018, there was no federal insurance in effect and no loans or loan guarantees outstanding.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
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Springfield, Illinois**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2018**

**Part 1:        *SUMMARY OF AUDIT RESULTS***

1. We have audited the financial statements of the Association of Illinois Soil and Water Conservation Districts and related entity, as of and for the year ended December 31, 2018, and have issued our report thereon dated October 23, 2019, which was qualified due to the Association preparing its financial statements on the modified cash basis of accounting.
2. Our audit disclosed one significant deficiencies in internal control that was required to be reported.
3. No instances of noncompliance material to the financial statements of the Association of Illinois Soil and Water Conservation Districts, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Our audit disclosed one reportable condition in internal control or major programs.
5. We have audited the compliance of the Association of Illinois Soil and Water Conservation District with the types of compliance requirements described in the Uniform Guidance Compliance Supplement that are applicable to each of its major programs for the year ended December 31, 2018, and have issued our qualified opinion thereon dated October 23, 2019.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:

	<u>CFDA #</u>
Conservation Technical Assistance Program	10.902
Conservation Reserve Program	10.069
8. The threshold used to distinguish between Type A and Type B major programs was \$750,000.
9. The Association of Illinois Soil and Water Conservation Districts was determined to be a high-risk auditee.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued  
For the Year Ended December 31, 2018**

**Part 1:      *AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT***

See finding number 2018-001

**Part 2:      *AUDIT FINDINGS AND QUESTIONED COSTS***

See finding number 2018-02

**Part 3:      *PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS***

2017-001



**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued  
For the Year Ended December 31, 2018**

Financial Statement Findings

Finding No:	2018-002
This Finding is:	Repeat Finding
First Year Reported:	2016
Federal Programs:	Conservation Technical Assistance Program      CFDA 10.902 Conservation Reserve Program      CFDA 10.069
Criteria or specific requirement:	Annual risk assessments must be documented for all grant subrecipients.
Context:	Without proper risk assessments being performed, subrecipient monitoring performed may not be adequate.
Effect:	Did not have risk assessments for grant subrecipients. Assessment needed in order to prove adequate amount of subrecipient monitoring was performed.
Cause:	Management or accounting personnel had not kept up on all changes in compliance requirements, to ensure that proper subrecipient monitoring had been performed. Adopted policy was not adhered to.
Recommendation:	AISWCD should review internal controls over this area to ensure they are adequate to ensure annual risk assessments are performed for each subrecipient. AISWCD should also review its adopted subrecipient monitoring policy to make sure it adequately addresses all compliance requirements
Management's Response:	Management is aware of the issue and plans to work on improving internal controls in this area. See corrective action plan.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS  
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Springfield, Illinois**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended December 31, 2018**

Corrective Action Plan

Finding No: 2017-001

Condition: The Association of Illinois Soil and Water Conservation District did not have proper documentation to support adequate monitoring of each of it's subrecipients that it provided federal funding to. Risk assessments were not adequately performed to determine which subrecipient would require additional monitoring to make sure funds were spent according to grant guidelines.

Current Status: Corrective action plan partially implemented. Repeat finding in current year.