

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

**FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018**

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

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November 13, 2020

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, 2019 and 2018, 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, 2019 and 2018, 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.

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 November 13, 2020, 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,

Pehlman & Dold, P.C.

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SPRINGFIELD, ILLINOIS

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November 13, 2020

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, 2019 and 2018, 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 November 13, 2020.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be material weaknesses.

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*.

Organizations Response to Findings

Association of Illinois Soil and Water Conservation Districts' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questions Costs. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

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,

Pehlman & Dold, P.C.

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November 13, 2020

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, 2019. 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.

Opinion on Each Major Program

In our opinion, 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, 2019.

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,

Pehlman & Dold, P.C.

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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, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u> <u>Restated</u>
Current Assets		
Cash	\$252,667	\$285,589
Certificates of deposit	30,988	31,048
Due to Mason County	<u>1,856</u>	<u> </u>
Total current assets	<u>285,511</u>	<u>316,637</u>
Fixed Assets		
Furniture, fixtures & equipment	44,377	44,377
Land and building	286,997	273,416
Vehicles	19,372	19,372
Accumulated depreciation	<u>(185,085)</u>	<u>(169,919)</u>
Total fixed assets	<u>165,661</u>	<u>167,246</u>
TOTAL ASSETS	<u>\$451,172</u>	<u>\$483,883</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Due to Macon County	\$	\$ 525
Payroll taxes payable	1,417	3,191
Accumulated compensated absences	7,806	10,065
Current maturities of capital lease obligation	<u> </u>	<u>1,045</u>
Total current liabilities	<u>9,223</u>	<u>14,826</u>
Total liabilities	<u>9,223</u>	<u>14,826</u>
Net Assets		
Without donor restrictions	418,490	445,659
With donor restrictions	<u>23,459</u>	<u>23,398</u>
Total net assets	<u>441,949</u>	<u>469,057</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$451,172</u>	<u>\$483,883</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, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<i>Support and Revenue</i>			
Dues	\$ 173,771	\$	\$ 173,771
Grants	968,941		968,941
Interest	3,396	61	3,457
Program services	27,761		27,761
Insurance revenue	81,725		81,725
Meetings and conferences	42,553		42,553
Miscellaneous	<u>2,908</u>	<u> </u>	<u>2,908</u>
<i>Total support and revenue</i>	<u>1,301,055</u>	<u>61</u>	<u>1,301,116</u>
<i>Expenses</i>			
Program services	1,185,875		1,185,875
General and administrative	<u>142,349</u>	<u> </u>	<u>142,349</u>
<i>Total expenses</i>	<u>1,328,224</u>	<u> </u>	<u>1,328,224</u>
<i>Change in Net Assets</i>	(27,169)	61	(27,108)
<i>Net Assets – Beginning of Year</i>	<u>445,659</u>	<u>23,398</u>	<u>469,057</u>
<i>Net Assets – End of Year</i>	<u>\$ 418,490</u>	<u>\$ 23,459</u>	<u>\$ 441,949</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**

		Restated	
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
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	20,075		20,075
Miscellaneous	<u>2,553</u>	<u> </u>	<u>2,553</u>
Total support and revenue	<u>2,147,549</u>	<u>117</u>	<u>2,147,666</u>
Expenses			
Program services	2,180,040		2,180,040
General and administrative	<u>168,505</u>	<u> </u>	<u>168,505</u>
Total expenses	<u>2,348,545</u>	<u> </u>	<u>2,348,545</u>
Change in Net Assets	(200,996)	117	(200,879)
Net Assets – Beginning of Year	644,518	23,281	667,799
Prior Period Adjustments	<u>2,137</u>	<u> </u>	<u>2,137</u>
Net Assets – End of Year	<u>\$ 445,659</u>	<u>\$ 23,398</u>	<u>\$ 469,057</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 FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
Year Ended December 31, 2019**

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Total</u>
Salaries	\$ 139,465	\$ 46,489	\$ 185,954
Payroll taxes	10,665	3,556	14,221
Employee health insurance	16,625	5,542	22,167
Insurance expense	92,948		92,948
Contractual services		24,000	24,000
Professional fees		10,620	10,620
Travel	1,996	1,996	3,992
Annual meeting	32,206		32,206
Board meeting	1,898	1,898	3,796
Depreciation		15,166	15,166
Legislative expenses		3,460	3,460
AISWCD officer expense		5,713	5,713
Envirothon	15,507		15,507
Office expense		16,930	16,930
Building maintenance		5,414	5,414
Dues	650		650
McKibbin scholarship	500		500
Grants	853,205		853,205
Vehicle costs	884	885	1,769
NACD expense	2,063		2,063
Annual report filing fees	572		572
Farm progress show	6,792		6,792
Earth stewardship day	2,363		2,363
Training	4,483		4,483
Miscellaneous	<u>3,053</u>	<u>680</u>	<u>3,733</u>
Total	<u>\$1,185,875</u>	<u>\$142,349</u>	<u>\$1,328,224</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 FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
Year Ended December 31, 2018**

		Restated	
	Program Services	General & Administrative	Total
Salaries	\$ 127,389	\$ 42,463	\$ 169,852
Payroll taxes	11,946	3,982	15,928
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	2,578	2,578	5,156
Annual meeting	38,902		38,902
Board meeting	4,227	4,227	8,454
Depreciation		15,891	15,891
Legislative expenses		2,436	2,436
AISWCD officer expense		3,977	3,977
Envirothon	15,141		15,141
Office expense		17,445	17,445
Building maintenance		3,567	3,567
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	1,667		1,667
Miscellaneous		<u>3,803</u>	<u>3,803</u>
Total	<u>\$2,180,040</u>	<u>\$168,505</u>	<u>\$2,348,545</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**

**NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018**

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, 2019 and 2018**

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 2019, 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 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, 2020, which is the date that the financial statements were available to be issued. Through November 11, 2020, 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 2016.

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

**NOTES TO FINANCIAL STATEMENTS - continued
For the Years Ended December 31, 2019 and 2018**

Note 3. *PROPERTY AND EQUIPMENT*

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

	<u>2019</u>	<u>2018</u>
Assets not being depreciated:		
Land	\$ 23,683	\$ 23,683
Assets being depreciated:		
Building	263,314	249,733
Furniture, fixtures and equipment	44,377	44,377
Vehicles	<u>19,372</u>	<u>19,372</u>
Total property and equipment	350,746	337,165
Less accumulated depreciation	<u>(185,085)</u>	<u>(169,919)</u>
Net property and equipment	<u>\$165,661</u>	<u>\$167,246</u>

Depreciation expense for the years ended December 31, 2019 and 2018 were \$15,166 and \$15,891, respectively.

Note 4. *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 – December 31, 2017	\$ 23,281
Earnings on investments	<u>117</u>
Balance – December 31, 2018	23,398
Earnings on investments	<u>61</u>
Balance – December 31, 2019	<u>\$ 23,459</u>

Note 5. *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, 2019, the Association did not have any bank balances 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 6. *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 2019 and 2018 was approximately 74.5% and 85.9%, respectively.

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

**NOTES TO FINANCIAL STATEMENTS - continued
For the Years Ended December 31, 2019 and 2018**

Note 7. *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 requiring 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

**Endowment Net Asset Composition by Type of Fund
As of December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ _____	\$ <u>23,459</u>	\$ <u>23,459</u>

**Changes in Endowment Net Assets
For the Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$	\$ 23,398	\$ 23,398
Investment return:			
Investment income	_____	61	61
Endowment net assets, end of year	\$ _____	\$ <u>23,459</u>	\$ <u>23,459</u>

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

**NOTES TO FINANCIAL STATEMENTS - continued
For the Years Ended December 31, 2019 and 2018**

Note 7. *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>

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, 2019 or 2018.

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 8. *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.

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

**NOTES TO FINANCIAL STATEMENTS - continued
For the Years Ended December 31, 2019 and 2018**

Note 8. *LIQUIDITY AND AVAILABILITY*

Financial assets for general expenditures available within one year from December 31, 2019 and 2018 are as follows:

<u>December 31,</u>	<u>2019</u>	<u>2018</u> <u>Restated</u>
Cash and cash equivalents	\$252,667	\$285,589
Certificates of deposit	<u>30,988</u>	<u>31,048</u>
Total financial assets	<u>283,655</u>	<u>316,637</u>
Less: Endowments funds restricted by donor	(<u>23,459</u>)	(<u>23,398</u>)
Total financial assets available for general expenditures within one year	<u>\$260,196</u>	<u>\$293,239</u>

Note 9. *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 10. *PRIOR PERIOD ADJUSTMENT AND RESTATEMENT*

- a) During the current year, the Association discovered an error in the carrying amount of its cash in bank accounts on the Statement of Assets, Liabilities and Net Assets. In error, the Association failed to void old outstanding checks being reissued and a deposit was recorded twice. The error resulted in a net understatement of cash in the amount of \$13,793. On the 2018 Statement of Support, Revenue and expenses, support and revenue were overstated by \$3,000 and expenses were overstated by \$14,656. On the 2017 Statement of Assets, Liabilities, and Net Assets, net assets were understated by \$2,137. A prior period adjustment has been reported in the amount of \$2,137 and 2018 support, revenue and expenses have been restated.
- b) During the current year, the Association discovered an error on the December 31, 2018 Schedule of Expenditures of Federal Awards (SEFA). Upon review of the Water Quality Management Grant with the granting agency, the December 31, 2018 SEFA under reported allowable expenses by \$21,466, resulting in unspent federal funds. Per the granting agency, all federal funds received were spent in full. On the December 31, 2019 SEFA, allowable expenses as of December 31, 2018 have been restated. The restatement had no effect on the 2018 financial statements.

SUPPLEMENTARY INFORMATION

Pehlman & Dold, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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November 13, 2020

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, 2019 and 2018, and have issued our report thereon dated November 13, 2020, 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,

Pehlman & Dold, P.C.

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, 2019 and 2018**

	ASSETS			
	<u>Association</u>	<u>Foundation</u>	<u>2019</u>	<u>2018 Restated</u>
Current Assets				
Cash and cash equivalents	\$246,020	\$ 6,647	\$252,667	\$285,589
Certificates of deposit		30,988	30,988	31,048
Due to Mason County	<u>1,856</u>		<u>1,856</u>	
Total current assets	<u>247,876</u>	<u>37,635</u>	<u>285,511</u>	<u>316,637</u>
Fixed Assets				
Furniture, fixtures & equipment	44,377		44,377	44,377
Land and building	286,997		286,997	273,416
Vehicles	19,372		19,372	19,372
Accumulated depreciation	<u>(185,085)</u>		<u>(185,085)</u>	<u>(169,919)</u>
Total fixed assets	<u>165,661</u>		<u>165,661</u>	<u>167,246</u>
TOTAL ASSETS	<u>\$413,537</u>	<u>\$ 37,635</u>	<u>\$451,172</u>	<u>\$483,883</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Due to Macon County	\$	\$	\$	\$ 525
Payroll taxes payable	1,417		1,417	3,191
Accumulated compensated absences	7,806		7,806	10,065
Current maturities – capital lease obligation				<u>1,045</u>
Total current liabilities	<u>9,223</u>		<u>9,223</u>	<u>14,826</u>
Total liabilities	<u>9,223</u>		<u>9,223</u>	<u>14,826</u>
Net Assets				
Without donor restrictions	404,314	14,176	418,490	445,659
With donor restrictions		<u>23,459</u>	<u>23,459</u>	<u>23,398</u>
Total net assets	<u>404,314</u>	<u>37,635</u>	<u>441,949</u>	<u>469,057</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$413,537</u>	<u>\$ 37,635</u>	<u>\$451,172</u>	<u>\$483,883</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, 2019 and 2018**

	<u>Association</u>	<u>Foundation</u>	<u>2019</u>	<u>2018 Restated</u>
<i>Support and Revenue</i>				
Membership Dues	\$ 173,771	\$	\$ 173,771	\$ 111,654
Grants	968,941		968,941	1,907,667
Interest	2,956	501	3,457	4,034
Program services	27,761		27,761	21,761
Insurance revenue	81,725		81,725	79,922
Meetings and conferences	42,553		42,553	20,075
Miscellaneous	<u>2,908</u>	<u> </u>	<u>2,908</u>	<u>2,553</u>
<i>Total support and revenue</i>	<u>1,300,615</u>	<u>501</u>	<u>1,301,116</u>	<u>2,147,666</u>
<i>Expenses</i>				
Salaries	185,954		185,954	169,852
Payroll taxes	14,221		14,221	15,928
Compensated absences				10,065
Employee health insurance	22,167		22,167	11,577
Insurance expense	92,948		92,948	87,654
Contractual services	24,000		24,000	24,000
Professional fees	10,620		10,620	38,036
Travel	3,992		3,992	5,156
Annual meeting	32,206		32,206	38,902
Board meeting	3,796		3,796	8,454
Depreciation	15,166		15,166	15,891
Legislative expense	3,460		3,460	2,436
AISWCD officer expense	5,713		5,713	3,977
Envirothon	15,507		15,507	15,141
Office expense	16,930		16,930	17,445
Building maintenance	5,414		5,414	3,567
Dues	650		650	2,075
McKibbin scholarship	500		500	
Grants	853,205		853,205	1,865,997
Vehicle costs	1,769		1,769	1,379
NACD expense	2,063		2,063	3,934
Annual report filing fees	572		572	26
Farm progress show	6,792		6,792	
Earth stewardship day	2,363		2,363	1,583
Training	4,483		4,483	1,667
Miscellaneous	<u>3,733</u>	<u> </u>	<u>3,733</u>	<u>3,803</u>
<i>Total expenses</i>	<u>1,328,224</u>	<u> </u>	<u>1,328,224</u>	<u>2,348,545</u>
<i>Change in Net Assets</i>	(27,609)	501	(27,108)	(200,879)
<i>Net Assets – Beginning of Year</i>	431,923	37,134	469,057	667,799
<i>Prior Period Adjustment</i>	<u> </u>	<u> </u>	<u> </u>	<u>2,137</u>
<i>Net Assets – End of Year</i>	<u>\$ 404,314</u>	<u>\$ 37,635</u>	<u>\$ 441,949</u>	<u>\$469,057</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, 2019**

	<u>Consolidated</u>	<u>Budget</u>	<u>Variance</u>
<i>Support and Revenue</i>			
Membership Dues	\$ 173,771	\$ 105,167	\$ 68,604
Grants	968,941	2,837,480	(1,868,539)
Interest	3,457	2,500	957
Program services:			
Envirothon revenue	18,749	17,000	1,749
Earth Stewardship Day	3,000	4,600	(1,600)
Farm Progress Show	6,012		6,012
Insurance revenue	81,725	100,000	(18,275)
Meetings and conferences	42,553	20,000	22,553
Miscellaneous	<u>2,908</u>	<u> </u>	<u>2,908</u>
<i>Total support and revenue</i>	<u>1,301,116</u>	<u>3,086,747</u>	<u>(1,785,631)</u>
<i>Expenses</i>			
Salaries	185,954	195,000	9,046
Payroll taxes	14,221	14,000	(221)
Employee health insurance	22,167	40,000	17,833
Insurance expense	92,948	100,000	7,052
Contractual services	24,000	24,000	
Professional fees	10,620	11,300	680
Travel	3,992	5,000	1,008
Annual meeting	32,206	20,000	(12,206)
Board meeting	3,796	6,000	2,204
Depreciation	15,166		(15,166)
Legislative expense	3,460	1,550	(1,910)
AISWCD officer expense	5,713	11,800	6,087
Envirothon	15,507	17,000	1,493
Office expense	16,930	19,570	2,640
Building maintenance	5,414	12,000	6,586
Dues	650	1,735	1,085
McKibbin scholarship	500		(500)
Grants	853,205	2,609,190	1,755,985
Vehicle costs	1,769	1,947	178
NACD expense	2,063	3,500	1,437
Annual report filing fees	572	1,000	428
Farm progress show	6,792		(6,792)
Earth stewardship day	2,363	4,600	2,237
Training	4,483	4,000	(483)
Miscellaneous	<u>3,733</u>	<u>3,555</u>	<u>(178)</u>
<i>Total expenses</i>	<u>1,328,224</u>	<u>3,106,747</u>	<u>1,778,523</u>
<i>Change in Net Assets</i>	<u>\$ (27,108)</u>	<u>\$ (20,000)</u>	<u>\$ (7,108)</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**

	Consolidated <u>Restated</u>	<u>Budget</u>	Variance <u>Restated</u>
<i>Support and Revenue</i>			
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	20,075	20,000	75
Miscellaneous	<u>2,553</u>	<u> </u>	<u>2,553</u>
<i>Total support and revenue</i>	<u>2,147,666</u>	<u>3,114,777</u>	<u>(967,111)</u>
<i>Expenses</i>			
Salaries	169,852	180,000	(10,148)
Payroll taxes	15,928	15,000	928
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	5,156	5,000	156
Annual meeting	38,902	20,000	18,902
Board meeting	8,454	6,000	2,454
Depreciation	15,891		15,891
Legislative expense	2,436	1,550	886
AISWCD officer expense	3,977	11,800	(7,823)
Envirothon	15,141	17,000	(1,859)
Office expense	17,445	16,220	1,225
Building maintenance	3,567	12,000	(8,433)
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	1,667	4,000	(2,333)
Miscellaneous	<u>3,803</u>	<u>2,332</u>	<u>1,471</u>
<i>Total expenses</i>	<u>2,348,545</u>	<u>3,130,357</u>	<u>(781,812)</u>
<i>Change in Net Assets</i>	<u>\$ (200,879)</u>	<u>\$ (15,580)</u>	<u>\$ (185,299)</u>

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

**Schedule of Findings and Responses
For the Year Ended December 31, 2019**

Finding Number:	2019-001
This finding is:	Repeat finding, originally reported in 2018
Condition:	Year-end financial statements required material adjustments relating to out of balance cash in bank and net asset accounts, and statement of activity mis postings. Management's review of year-end financial statements did not detect the material misstatements in a timely manner.
Context:	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.
Cause:	Management did not have adequate internal control policies in place to ensure all financial statements were in balance and all activity was recorded properly.
Effect:	Materially misstated financial statements were made available during the audit.
Recommendation:	Management should review all internal controls over financial reporting to ensure they are adequate to detect and timely adjust financial statement accounts.
Management Response/Corrective Action Plan:	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
AND RELATED ENTITY
Springfield, Illinois**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019**

Source of Funds	Federal CFDA #	Project or Contract #	Revenues		Total Revenues	Expenditures/Disbursements			Payments to Subrecipients 12/31/19	Obligations/ Encumbrances	Final	Budget
			12/31/18	12/31/19		12/31/18	12/31/18	12/31/19				
US Department of Agriculture												
<i>Passed through Natural Resources</i>												
<i>Conservation Services:</i>												
Soil and Water Conservation - Technical Assistance Program	10.902	68-5A12-17-009	\$ 444,424	\$ 233,224	\$ 677,648	\$ 455,571	\$ 391,454	\$ 228,150	\$ 204,889	\$	\$ 683,721	\$1,347,296
Conservation Reserve Program (M)	10.069	68-5A12-17-009	1,072,008	562,567	1,634,575	1,098,898	944,235	550,327	494,218		1,649,225	3,250,000
Conservation Security Program	10.921	68-5A12-17-009	<u>329,948</u>	<u>173,150</u>	<u>503,098</u>	<u>338,224</u>	<u>290,620</u>	<u>169,382</u>	<u>152,113</u>		<u>507,606</u>	1,000,000
Total US Department of Agriculture			<u>1,846,380</u>	<u>968,941</u>	<u>2,815,321</u>	<u>1,892,693</u>	<u>1,626,309</u>	<u>947,859</u>	<u>851,220</u>		<u>2,840,552</u>	
Environmental Protection Agency												
<i>Passed through Illinois Environmental Protection Agency:</i>												
Water Quality Management Planning (RESTATED)	66.454	604162	<u>61,287</u>		<u>61,287</u>	<u>61,287</u>	<u>34,916</u>				<u>61,278</u>	80,000
Total Environmental Protection Agency			<u>61,287</u>		<u>61,287</u>	<u>61,287</u>	<u>34,916</u>				<u>61,287</u>	
Total Federal Funding			<u>\$1,907,667</u>	<u>\$ 968,941</u>	<u>\$2,876,608</u>	<u>\$1,953,980</u>	<u>\$1,661,225</u>	<u>\$ 947,859</u>	<u>\$ 851,220</u>	<u>\$</u>	<u>\$2,901,839</u>	

(M) – Major Program

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

**NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019**

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, 2019.

Indirect Cost Rate

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

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

**NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019**

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		
	CFDA #10.902	CFDA #10.069	CFDA #10.921
Adams County SWCD	\$ 1,971	\$ 4,755	\$1,463
Bond County SWCD	1,797	4,335	1,335
Boone County SWCD	2,115	5,103	1,571
Brown County SWCD	1,655	3,992	1,229
Bureau County SWCD	1,421	3,428	1,055
Calhoun County	2,992	7,218	2,222
Carroll County	5,215	12,579	3,871
Cass County SWCD	768	1,853	570
Champaign County SWCD	1,410	3,401	1,046
Christian County SWCD	2,190	5,283	1,626
Clark County SWCD	1,069	2,578	793
Clay County SWCD	634	1,530	472
Clinton County SWCD	1,499	3,616	1,114
Coles County SWCD	959	2,313	712
Crawford County SWCD	474	1,143	352
Cumberland County SWCD	2,429	5,859	1,803
DeKalb County SWCD	2,588	6,242	1,921
Dewitt County SWCD	6,971	16,814	5,174
Douglas County SWCD	202	488	150
Edgar County SWCD	936	2,259	695
Edwards County SWCD	961	2,318	713
Effingham County SWCD	1,851	4,464	1,373
Fayette County SWCD	627	1,513	466
Ford County SWCD	1,685	4,064	1,252
Franklin County SWCD	1,635	3,943	1,213
Fulton County SWCD	982	2,369	729
Gallatin County SWCD	1,207	2,911	896
Greene County SWCD	1,206	2,909	895
Grundy County SWCD	925	2,232	687
Hamilton County SWCD	4,549	10,973	3,377
Hancock County SWCD	3,339	8,055	2,480
Henderson County SWCD	493	1,190	367
Henry County SWCD	2,382	5,745	1,769
Iroquois County SWCD	5,046	12,171	3,747
Jackson County SWCD	1,235	2,978	917
Jasper County SWCD	5,241	12,642	3,891
Jefferson County SWCD	1,807	4,358	1,341
Jersey County SWCD	1,907	4,601	1,416
Jo Daviess County SWCD	2,257	5,445	1,677
Johnson County SWCD	2,549	6,149	1,892
Kane DuPage County SWCD	170	409	126
Kankakee County SWCD	1,077	2,597	800
Kendall County SWCD	935	2,255	693
Knox County SWCD	862	2,078	640
LaSalle County SWCD	1,017	2,454	755
Lawrence County SWCD	1,462	3,528	1,086
Lee County SWCD	866	2,087	643
Livingston County SWCD	7,010	16,910	5,205
Logan County SWCD	4,708	11,357	3,496
Macon County SWCD	2,068	4,988	1,534
Macoupin County SWCD	4,462	10,763	3,312
Madison County SWCD	1,550	3,738	1,150
Marion County SWCD	2,118	5,109	1,572

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

**NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019**

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

District	US Department of Agriculture		
	CFDA	CFDA	CFDA
	<u>#10.902</u>	<u>#10.069</u>	<u>#10.921</u>
Marshall-Putman SWCD	15,079	36,372	11,195
Mason County SWCD	752	1,813	558
Massac County	1,034	2,493	767
McDonough County SWCD	1,190	2,870	883
McHenry-Lake County SWCD	170	409	126
McLean County SWCD	4,308	10,390	3,198
Menard County	1,385	3,340	1,028
Mercer County	1,246	3,006	925
Monroe County SWCD	636	1,534	472
Montgomery County SWCD	1,625	3,919	1,206
Morgan County SWCD	1,558	3,759	1,158
Moultrie County SWCD	563	1,359	418
North Cook County SWCD	151	363	112
Ogle County SWCD	3,899	9,404	2,894
Peoria County SWCD	1,542	3,720	1,146
Perry County SWCD	1,565	3,774	1,162
Piatt County SWCD	5,897	14,225	4,379
Pike County SWCD	3,072	7,410	2,281
Pope-Hardin County SWCD	1,471	3,549	1,092
Pulaski-Alexander County SWCD	3,748	9,040	2,782
Randolph County SWCD	1,372	3,311	1,019
Richland County SWCD	721	1,739	535
Rock Island County SWCD	730	1,762	542
Saline County SWCD	1,466	3,536	1,088
Sangamon County SWCD	341	823	253
Schuyler County SWCD	1,444	3,482	1,072
Scott County SWCD	707	1,704	524
Shelby County SWCD	4,115	9,927	3,055
St. Clair County SWCD	4,554	10,984	3,380
Stark County SWCD	585	1,411	434
Stephenson County SWCD	3,246	7,829	2,410
Tazewell County SWCD	2,559	6,172	1,899
Union County SWCD	3,056	7,373	2,269
Vermillion County SWCD	1,396	3,368	1,037
Wabash County SWCD	144	348	108
Warren County SWCD	496	1,195	368
Washington County SWCD	182	439	135
Wayne County SWCD	5,171	12,474	3,840
White County SWCD	2,553	6,157	1,895
Whiteside County SWCD	2,878	6,943	2,137
Williamson County SWCD	1,991	4,803	1,478
Will-South County SWCD	237	573	177
Winnebago County SWCD	2,075	5,005	1,540
Woodford County SWCD	2,495	6,019	1,852
	<u>\$204,889</u>	<u>\$494,218</u>	<u>\$152,113</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, 2019, there was no federal insurance in effect and no loans or loan guarantees outstanding.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019**

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, 2019, and have issued our report thereon dated November 13, 2020, which was qualified due to the Association preparing its financial statements on the modified cash basis of accounting.
2. Our audit disclosed one material deficiency 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 no reportable conditions in internal control over 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, 2019, and have issued our unmodified opinion thereon dated November 13, 2020.
6. Our audit disclosed no findings relating to major programs that are required to be reported in accordance with the Uniform Guidance.
7. The following program was identified and tested as a major program:

	<u>CFDA #</u>
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
AND RELATED ENTITY
Springfield, Illinois**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
For the Year Ended December 31, 2019**

Part 1: *AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT*

See finding number 2019-001

Part 2: *AUDIT FINDINGS AND QUESTIONED COSTS*

None noted

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

2018-001
2018-002

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2019**

Corrective Action Plans

Finding No:	2018-001
Condition:	Year-end financial statements required material adjustments relating to out of balance cash in bank accounts and net asset accounts, and statement of activity mispostings. Management's review of the financial statements did not detect the material misstatements in a timely manner.
Current Status:	Corrective action plan not implemented. Repeat finding in current year.
Finding No:	2018-002
Condition:	The Association of Illinois Soil and Water Conservation District did not have proper documentation to support adequate monitoring of each of its 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 implemented.

OTHER INFORMATION (UNAUDITED)

CONNECT

4285 N WALNUT ST RO
SPRINGFIELD, IL 62707
T: (217) 744-3414
F: (217) 744-3420
INFO@AISWCO.ORG

November 30, 2020

Pehlman & Dold
100 N. Amos Ave.
Springfield, IL 62702



MISSION

TO REPRESENT AND EMPOWER
ILLINOIS' SOIL AND WATER
CONSERVATION DISTRICTS.

Re: Finding No: 2019-001

OFFICERS

STEVE STIERWALT
PRESIDENT

TOM BEYERS
VICE PRESIDENT

DAN SHUMAKER
SECRETARY

DAN DUVAL
TREASURER

Management is aware of the finding and plans to work on improving reporting in this area. In 2019, AISWCD took corrective action by instituting an annual internal review process to verify financial statement information and to identify any inadvertent misstatements. AISWCD plans to expand upon this process to include grant revenues and expenditures to make sure there are no duplicative entries as a result of administrative revenue transfers between budget schedules. This process will be completed for FY2020 by February 1, 2021.

Best Regards,

A handwritten signature in blue ink, appearing to read "Alan J. Howard".

Alan J. Howard
Financial Manager

MANAGEMENT

GRANT HAMMER
EXECUTIVE DIRECTOR

REBECCA OSLAND
GRANTS & DEVELOPMENT
MANAGER

STEVE CHARO
SPECIAL PROJECTS MANGER

ALAN HOWARD
FINANCIAL MANAGER