



March 21, 2020

Board of Directors  
Friends of Nachusa Grasslands  
Franklin Grove, IL

Dear Board of Directors:

We have audited the financial statements of Friends of Nachusa Grasslands (the "Organization") for the year ended June 30, 2019, and have issued our report thereon dated March 21, 2020. Professional standards require that we provide you with the following information related to our audit:

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States**

As stated in our engagement letter dated October 1, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to your representative, Mark Jordan, in our meeting about planning matters on November 8, 2019 in addition to our engagement letter dated October 1, 2019, accepted by Bernard Buchholz.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. In fiscal year 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958). This ASU provides certain improvements to financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures and presentation of an analysis of expenses by function and by nature. The application of existing policies, other than the policy noted above, have not changed during fiscal year 2019.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was depreciation of fixed assets. The disclosures in the financial statements are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing and completing our audit. We did make significant journal entries in order to balance the accounting records and also made prior period adjustments in order to agree beginning balances.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached listing of adjusting journal entries were misstatements noted during our audit and were corrected by management.

### **Disagreements With Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated March 21, 2020, a copy of which accompanies this letter.

### **Management Consultations With Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. To our knowledge, management has not obtained any opinions from other independent accountants on the application of accounting principles generally accepted in the United States which would affect the Organization's financial statements or on the type of opinion which may be rendered on the financial statements.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors for the preceding year. However, these discussions occurred in the normal course of our professional relationship and our responses were not, in our judgment, a condition of our retention.

### **Internal Control Matters**

In planning and performing our audit of the financial statements of the Organization as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies and material weaknesses may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. 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.

We consider the following deficiencies in internal control to be significant deficiencies:

#### *Condition – Preparation of Financial Report:*

The Organization's internal control over financial reporting does not end at the general ledger, but extends to the financial statements. The Organization engaged Wipfli to draft the financial statements and accompanying notes. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make decisions regarding the Organization's internal control structure based on cost and other considerations. Based on current auditing standards, because the Organization relies on Wipfli to prepare the financial statements and accompanying notes, a significant deficiency exists in the Organization's internal controls.

*Potential Effect:*

The completeness of the financial statement disclosure and the accuracy of the overall financial presentation are negatively impacted as outside auditors do not have the same comprehensive understanding of the Organization as its internal financial staff.

*Condition – General Ledger Segregation of Duties:*

The size of the Organization's staff in charge of accounting and reporting functions indicates a lack of segregation of duties over; general ledger accounting, expense transaction record keeping, revenue and cash receipt and disbursement transaction record keeping and monthly financial statement preparation. The basic premise is that no one individual should have access to both physical assets and related accounting records or to all phases of a transaction.

*Potential Effect:*

Without adequate segregation of duties, the likelihood of unauthorized or false transactions will be prevented or detected in a timely fashion is significantly diminished which may result in misstated financial statements.

**Other Matters**

We did perform numerous adjusting journal entries in order to balance the financial statements. We recommend the Organization investment in an accounting software such as QuickBooks in order to better track transactions and reconcile accounts. We can assist with the setup of the accounting software and the chart of accounts that will be needed.

We appreciate the opportunity to be of service to Friends of Nachusa Grasslands.

This letter is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Wipfli LLP

Enc.

Year End: June 30, 2019

AJE

Date: 7/1/2018 To 6/30/2019

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
1	6/30/2019	Endowment - CFNIL	1020			760,960.00			
1	6/30/2019	Endowment - Nachusa Grassland Stewardship	1021			700,432.00			
1	6/30/2019	Restricted net assets - CFNIL	3020				760,960.00		
1	6/30/2019	Restricted net assets - Nachusa Grassland Stew	3021				700,432.00		
		Prior period adjustment to set up Endowments							
2	6/30/2019	Endowment - CFNIL	1020			427,561.00			
2	6/30/2019	Carroll Star Matching Grant	4315				50,000.00		
2	6/30/2019	Direct Individual Donations into CFNIL	4316				22,586.00		
2	6/30/2019	CFNIL Endowment Investment Income	4340				13,950.00		
2	6/30/2019	CFNIL Nachusa Endowment	5011				341,025.00		
		To record transactions relating to CFNIL Endowment account							
								Recurring	
3	6/30/2019	Endowment - Nachusa Grassland Stewardship	1021			15,227.00			
3	6/30/2019	The Conservancy Endowment Investment Incom	4341				13,666.00		
3	6/30/2019	Gifts to TNC Endowment	5010				22,000.00		
3	6/30/2019	Stewardship	5110			20,439.00			
		To record transactions relating to the Conservancy Endowment							
								Recurring	
4	6/30/2019	Restricted net assets - Nachusa Grassland Stew	3021			572,148.00			
4	6/30/2019	Permanently Restricted Endowment of TNC	3022				572,148.00		
		To set up Permanently Restricted net assets for TNC Endowment							
5	6/30/2019	Money Market	1015			20,000.00			
5	6/30/2019	Money Market	1015			4.00			
5	6/30/2019	Interest Income	4015				4.00		
5	6/30/2019	Other	5300				20,000.00		
		To account for transfer from checking account to savings account originally posted to other expense.							
6	6/30/2019	Unrestricted net assets	3010				1,848.00		
6	6/30/2019	Nachusa Operations via TNC	5100			1,848.00			
		To balance beginning net assets							
7	6/30/2019	CFNIL Endowment Account	4012			26,183.00			
7	6/30/2019	CFNIL Endowment Investment Income	4340				26,183.00		
		To properly account for Transfer from CFNIL Endowment							
8	6/30/2019	Nachusa Operations via TNC	5100						
		To record Operations expense paid out of TNC Endowment and TNC local needs fee							
9	6/30/2019	Restricted net assets - Nachusa Grassland Stew	3021				22,000.00		
9	6/30/2019	Stewardship	5110			22,000.00			
		To correctly account for removing pine stand with \$22,000 check sent to TNC. To account for \$22,000 deposit in transit at end of 6/30/18 to TNC							
						<b>2,566,802.00</b>	<b>2,566,802.00</b>		
		<b>Net Income (Loss)</b>	<b>302,306.66</b>						

March 21, 2020

Wipfli LLP  
4949 Harrison Ave, Suite 300  
Rockford, IL 61108

This representation letter is provided in connection with your audit of the financial statements of Friends of Nachusa Grasslands (the "Organization"), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with modified cash basis of accounting which is an accounting basis other than accounting principles generally accepted in the United States (OCBOA).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief as of the date of this letter, the following representations made to you during your audit.

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 1, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting.
2. The financial statements referred to above are fairly presented in conformity with the modified cash basis of accounting.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of OCBOA.

7. All events subsequent to the date of the financial statements and for which OCBOA requires adjustment or disclosure have been adjusted or disclosed.
8. We agree with the adjusting journal entries proposed by you and which are given effect to in the financial statements.
9. The effects of uncorrected misstatements, if any, are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with OCBOA.
11. Material concentrations have been properly disclosed in accordance with OCBOA.
12. Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with OCBOA.
13. We accept responsibility for and have designated an individual with suitable skill, knowledge, or experience to oversee the following nonattest services:
  - a. Financial statement preparation
  - b. Depreciation assistance

#### **Information Provided**

14. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the Organization from who you determined it necessary to obtain audit evidence.
  - d. Minutes of the meeting of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
15. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization involving:
  - a. Management.

- b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
  19. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
  20. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with OCBOA.
  21. We have disclosed to you the identity of the Organization's related parties and all the related party relationships and transactions of which we are aware.
  22. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any material asset been pledged, except as disclosed in the notes to the financial statements.
  23. The Organization has identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
  24. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
  25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
  26. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
  27. Friends of Nachusa Grasslands is an exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up to date.

Wipfli LLP

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To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Sincerely,

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President