



CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS
401 North Michigan Avenue, Suite 1200, Chicago, Illinois 60611
(312) 786-0330

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)

FINANCIAL AUDIT
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT
For the Years Ended June 30, 2018 and 2017

TABLE OF CONTENTS

	<u>Page</u>
Agency Officials	1
Financial Statement Report:	
Summary	2
Independent Auditor's Report	3
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to the Financial Statements	14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing</i> <i>Standards</i>	24

**STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
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FINANCIAL AUDIT
For the Years Ended June 30, 2018 and 2017**

AGENCY OFFICIALS

Executive Director of Development - Illinois Mathematics and Science Academy (3/1/2018 to Current)	Ms. Tami Armstrong
Executive Director of Development - Illinois Mathematics and Science Academy (through 3/1/2018)	Ms. Barbara Graham
Vice President of External Engagement - Illinois Mathematics and Science Academy (through 6/15/2017)	Mr. Jeffrey Margolis, Ph D.

BOARD OF DIRECTORS

Mr. Anil Ahuja (to 6/30/17)	Mr. Jacob Plummer
Mr. Aziz Asphaphani (to 6/30/17)	Vice President (to 6/30/2017)
Mr. Kevin Brookins	Governance Chair (to 6/30/2017)
Ms. Stephanie Carreno (to 3/24/2017)	President (7/1/2017 to current)
Secretary (non-voting)	Executive Chair (7/1/2017 to current)
Mr. Steve Chen (to 6/30/2017)	Mr. Jay Porter (to 2/10/2017)
Mr. Steve Collens (to 6/30/2017)	Mr. Glenn Rippie
Mr. Robert Darin	Vice President (7/1/2017 to current)
Mr. Michael C. Fountain (2/18/18 to current)	Treasurer (7/1/2017 to current)
Dr. Ross Hemphill	Chair of Finance (7/1/2017 to current)
President (to 6/30/2017)	Mr. Aalap Shah (to 6/30/2017)
Secretary (7/1/2017 to Current)	Mr. Michael Suh
Governance Chair (7/1/2017 to Current)	Treasurer (to 6/30/2017)
Mr. Troy Henikoff	Chair of Finance (to 6/30/2017)
Ms. Mana Ionescu (to 6/30/2017)	Mr. Richard R. Tung (1/1/2017 to current)
Dr. Stephanie Pace Marshall	Mr. Sam Yagan

The Fund's office is located at: 1500 Sullivan Road, Suite 200, Aurora, Illinois 60506-1000

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT
For the Years Ended June 30, 2018 and 2017

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the IMSA Fund for Advancement of Education as of and for the years ended June 30, 2018 and 2017 was performed by Washington, Pittman & McKeever, LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Fund's basic financial statements for the years ended June 30, 2018 and 2017.

EXIT CONFERENCE

The IMSA Fund for Advancement of Education waived holding an exit conference in a communication from Tami Armstrong, Executive Director of Development, dated December 6, 2018.



CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

And

Board of Directors
IMSA Fund for Advancement of Education
Aurora, Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the IMSA Fund for Advancement of Education, a component unit of the State of Illinois, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the IMSA Fund for Advancement of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, for the IMSA Fund for Advancement of Education, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 - 10, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2019 on our consideration of the IMSA Fund for Advancement of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the IMSA Fund for Advancement of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IMSA Fund for Advancement of Education's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

WASHINGTON, PITTMAN & McKEEVER, LLC

**Chicago, Illinois
January 7, 2019**

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2018 and 2017

The purpose of this analysis is to provide an objective and easy to read analysis of the IMSA Fund for Advancement of Education's (Fund) Financial Statements based on currently known facts, decisions, and/or conditions. These financial statements are the responsibility of management and should be read in conjunction with the Notes to the Financial Statements as a complete financial report.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the Fund as of the end of the fiscal year (essentially a fiscal snapshot of the Fund as of that point in time). Readers are able to determine the assets available to continue the Fund's operations as well as determine the amount the Fund owes its vendors.

CONDENSED STATEMENTS OF NET POSITION
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 631,005	\$ 995,286
Investments	7,216,681	7,629,979
Accounts Receivable	39,800	122,900
Contribution Advances	609,404	578,646
Prepaid Expenses	3,413	12,422
Pledges Receivable, Net	<u>99,799</u>	<u>107,783</u>
TOTAL ASSETS	<u>8,600,102</u>	<u>9,447,016</u>
LIABILITIES		
Accounts Payable	\$ 12,977	\$ 18,552
Unearned Revenue	<u>-</u>	<u>2,025</u>
TOTAL LIABILITIES	<u>\$ 12,977</u>	<u>\$ 20,577</u>
NET POSITION		
Unrestricted	\$ 7,041,541	\$ 6,630,083
Restricted, Expendable	1,410,880	2,662,645
Restricted, Nonexpendable	<u>134,704</u>	<u>133,711</u>
TOTAL NET POSITION	<u>\$ 8,587,125</u>	<u>\$ 9,426,439</u>

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2018 and 2017

Fiscal year ended June 30, 2018 ended with a decrease in net position of \$839,314. This change was influenced by a modest decrease in contributions and a significant use of restricted funds in Fiscal Year 2018.

Pledges Receivable

Pledges receivable consist of voluntary non-exchange transactions. Revenue is recognized by the Fund in the year when all of the eligibility requirements are met in accordance with Governmental Accounting Standards Board Statement No. 33.

Contribution Advances

Contribution Advances represent grants that may be spent over consecutive fiscal years. The Fund and the Illinois Mathematics and Science Academy (Academy) identify those awards that may be carried over into another fiscal year. In order to account for those particular awards the Fund records them as contribution advances. Grants that have an award date ending on June 30th (the last day of the fiscal year) and remain unspent are returned to the Fund by the Academy. Grant refunds are then placed back into the respective account to be used at a later date.

Net Position

Net position is divided into three major categories. Unrestricted net position includes amounts not subject to donor-imposed stipulations and include all of the activities of the Fund, except for those amounts that are restricted by external donors. Restricted, expendable net position includes amounts that are subject to donor-imposed stipulations. These stipulations limit the use of the resources for specific purposes. Restricted, nonexpendable net position is to be held and invested in perpetuity with earnings thereof to be used for purposes as determined by donors making the contribution.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2018 and 2017

Statement of Revenues, Expenses, and Changes in Net Position

The purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to present the revenues recognized by the Fund, both operating and non-operating, and expenses incurred by the Fund. Revenues primarily consist of contributions to the Fund, investment income, and support from the Academy. Expenses consist of amounts incurred to support and carry out the mission of the Fund.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Contributions	782,728	940,365
Operating Agreement with Academy	374,406	253,004
Other Operating Revenues	<u>149,662</u>	<u>18,307</u>
TOTAL OPERATING REVENUES	<u>1,306,796</u>	<u>1,211,676</u>
OPERATING EXPENSES		
Academy Support	2,091,160	2,342,640
Management and General	86,667	68,614
Fundraising	51,508	59,379
Operating Agreement with Academy	<u>374,406</u>	<u>253,004</u>
TOTAL OPERATING EXPENSES	<u>2,603,741</u>	<u>2,723,637</u>
OPERATING (LOSS)	(1,296,945)	(1,511,961)
NON-OPERATING REVENUES AND EXPENSES	456,638	709,361
CONTRIBUTIONS TO PERMANENT ENDOWMENTS	<u>993</u>	<u>-</u>
CHANGE IN NET POSITION	(839,314)	(802,600)
NET POSITION - BEGINNING OF YEAR	<u>9,426,439</u>	<u>10,229,039</u>
NET POSITION - END OF YEAR	<u>\$ 8,587,125</u>	<u>\$ 9,426,439</u>

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2018 and 2017

Operating Revenue

The total Operating Revenue of the Fund increased 8% from Fiscal Years 2017 to 2018. This was primarily the result of an increase in contributions, and in-kind based on an operating agreement with the Academy, received in Fiscal Year 2018.

The Fund's investment income increased during Fiscal Year 2018. The Fund recorded interest and dividends income of \$183,972 and net gains on investments of \$272,678 during Fiscal Year 2018, as compared to interest and dividend income of \$179,317 and net gains on investments of \$529,988 for Fiscal Year 2017.

Operating Expenses

Academy Support

The Fund recognized \$2,091,160 and \$2,342,640 in Fiscal Years 2018 and 2017, respectively, in direct support to the Academy. The Fund made an effort to maximize giving as the Academy faced declines in funding from other sources. During Fiscal Year 2018, while support was provided, the Academy utilized less funding compared to Fiscal Year 2017.

Academy Support is program services for those activities that the reporting organization was created to conduct and which, along with any activities commenced subsequently, form the basis of the organization's current tax exemption status. They may be self-funded or funded out of contributions, accumulated income, investment income, or any other source. Fundraising expenses are not reported as program-related expenses even though one of the functions of the organization is to solicit contributions for the benefit of another organization.

Fundraising

Fundraising expenses include expenses incurred in soliciting contributions, gifts, grants, etc. The following activities are reported as fundraising expenses:

- A. Publicizing and conducting fund raising campaigns
- B. Soliciting bequests and grants
- C. Preparing and distributing fundraising manuals

The Fiscal Year 2018 Fundraising expenses decreased 13% compared to Fiscal Year 2017. During Fiscal Year 2018, the Fund expended less on consulting costs.

Management and General

Management and general expenses increased from \$68,614 in Fiscal Year 2017 to \$86,667 in Fiscal Year 2018.

Management and General Expenses include the salaries and expense allocations of staff and expenses incurred directly by the Fund's operations except those provided by the Academy pursuant to the operating agreement. These include meetings of the Board of Directors; committee and staff meetings (unless held in connection with specific program services or fundraising activities); general legal services, general liability insurance, office management, auditing, personnel, and preparation, publication, and distribution of an annual report; and investment expenses.

**STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (a Component Unit Of The State Of Illinois)
 MANAGEMENT DISCUSSION AND ANALYSIS
 For the Years Ended June 30, 2018 and 2017**

Change in Net Position

Net Position decreased by \$839,314 over the past fiscal year. During Fiscal Year 2018, decreases in contributions allowed the Fund to continue to operate at a loss. The Fund will continue to use existing fund balances to support Academy projects.

Statement of Cash Flows

The Fund uses the Statement of Cash Flows to identify cash provided by or used in operating, investing and financing activities. The Fund had a \$364,281 decrease in cash and cash equivalents during Fiscal Year 2018.

CONDENSED STATEMENTS OF CASH FLOWS

For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Supporters and Grantors	\$ 887,427	\$ 1,041,122
Cash Paid to Grantee, Suppliers and Academy Employees	<u>(2,122,639)</u>	<u>(2,350,709)</u>
	<u>(1,235,212)</u>	<u>(1,309,587)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	183,960	179,373
Cash Payment for the Purchase of Investments	(2,674,366)	(4,946,229)
Cash Proceeds from Sale of Investments	<u>3,360,344</u>	<u>5,696,512</u>
	<u>869,938</u>	<u>929,656</u>
Cash Received for Permanent Endowments	<u>993</u>	<u>-</u>
	<u>993</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(364,281)	(379,931)
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	<u>995,286</u>	<u>1,375,217</u>
END OF YEAR	<u>\$ 631,005</u>	<u>\$ 995,286</u>

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2018 and 2017

Economic Outlook

The Fund continues to invest in various investment securities. The Fund's investments utilize Mutual Funds rather than Municipal Bonds, Certificates of Deposits and U.S. Treasuries. Overall, this fiscal year saw the economy and financial markets continue to improve, whereas not at the same rate of increase as the previous fiscal year. The future economic outlook at year-end remains stable. However, investments, as always, were exposed to various risks such as interest rate, market and credit risks.

While the market environment remains steady, but uncertain, the Fund believes its prudent investment strategy and investment policies will result in improved results in future fiscal years.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
STATEMENTS OF NET POSITIONS
As of June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 631,005	\$ 995,286
Investments	7,081,977	7,496,268
Accounts Receivable	39,800	122,900
Contribution Advances	609,404	578,646
Prepaid Expenses	3,413	12,422
Pledges Receivable, Net	29,300	31,710
Total Current Assets	8,394,899	9,237,232
Non-Current Assets		
Pledges Receivable, Net	70,499	76,073
Endowment Investments	134,704	133,711
Total Non-Current Assets	205,203	209,784
TOTAL ASSETS	8,600,102	9,447,016
LIABILITIES		
Accounts Payable	12,977	18,552
Unearned Revenue	-	2,025
TOTAL LIABILITIES	12,977	20,577
NET POSITION		
Unrestricted Net Assets	7,041,541	6,630,083
Restricted, Expendable	1,410,880	2,662,645
Restricted, Non-Expendable	134,704	133,711
TOTAL NET POSITION	\$ 8,587,125	\$ 9,426,439

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

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Contributions	\$ 782,728	\$ 940,365
Operating Agreement with Academy	374,406	253,004
Program Fees	15,640	17,877
In-Kind Contributions of Goods and Services	<u>134,022</u>	<u>430</u>
Total Operating Revenues	<u>1,306,796</u>	<u>1,211,676</u>
Operating Expenses		
Academy Support	2,091,160	2,342,640
Management and General	86,667	68,614
Fundraising	51,508	59,379
Operating Agreement with Academy	<u>374,406</u>	<u>253,004</u>
Total Operating Expenses	<u>2,603,741</u>	<u>2,723,637</u>
Operating (Loss)	<u>(1,296,945)</u>	<u>(1,511,961)</u>
Non-Operating Revenues (Expenses)		
Interest and Dividend Income	183,960	179,373
Net Gain on Investment	<u>272,678</u>	<u>529,988</u>
Net Non-Operating Revenues	<u>456,638</u>	<u>709,361</u>
(Loss) Before Other Revenues	<u>(840,307)</u>	<u>(802,600)</u>
Contributions to Permanent Endowments	<u>993</u>	<u>-</u>
Total Other Revenues	<u>993</u>	<u>-</u>
CHANGE IN NET POSITION	(839,314)	(802,600)
NET POSITION - BEGINNING OF YEAR	<u>9,426,439</u>	<u>10,229,039</u>
NET POSITION - END OF YEAR	<u>\$ 8,587,125</u>	<u>\$ 9,426,439</u>

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

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Supporters and Grantors	\$ 887,427	\$ 1,041,122
Cash Paid to Grantee, Suppliers and Academy Employees	<u>(2,122,639)</u>	<u>(2,350,709)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,235,212)</u>	<u>(1,309,587)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	183,960	179,373
Cash Payment for the Purchase of Investments	(2,674,366)	(4,946,229)
Cash Proceeds from Sale of Investments	<u>3,360,344</u>	<u>5,696,512</u>
NET CASH PROVIDED IN INVESTING ACTIVITIES	<u>869,938</u>	<u>929,656</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received for Permanent Endowments	<u>993</u>	<u>-</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>993</u>	<u>-</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(364,281)	(379,931)
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>995,286</u>	<u>1,375,217</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 631,005</u>	<u>\$ 995,286</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating (Loss)	(1,296,945)	(1,511,961)
Changes in Certain Assets and Liabilities:		
Accounts Receivable	83,100	(48,224)
Contribution Advances	(30,758)	106,662
Prepaid Expenses	9,009	4,124
Pledges Receivable	7,984	136,853
Accounts Payable	(5,577)	8,709
Unearned Revenue	<u>(2,025)</u>	<u>(5,750)</u>
Total Adjustments	<u>61,733</u>	<u>202,374</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (1,235,212)</u>	<u>\$ (1,309,587)</u>
NONCASH INVESTING ACTIVITIES		
Unrealized Gain on Investments	<u>\$ 186,051</u>	<u>\$ 335,673</u>

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

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE A – ORGANIZATION

The IMSA Fund for Advancement of Education (Fund) is a nonprofit 501(c)(3) corporation established and maintained for the purposes of benefiting, performing the functions of, or carrying out certain charitable, educational, literary and scientific purposes of the Illinois Mathematics and Science Academy (Academy). The Academy was created through an Act of the State of Illinois General Assembly to offer a uniquely challenging education for students talented in the areas of mathematics, science, and technology. The Academy also functions as a laboratory for the development and testing of new techniques of mathematics, science, and humanities teaching for secondary schools throughout Illinois. Providing support to and on behalf of the Academy is the Fund's primary program service. Funding for this program service is derived from contributions from various individuals, corporations, and foundations located primarily within the United States.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of the data included in the financial statements, the more significant accounting policies are summarized below.

1. Financial Reporting Entity

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

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

Based upon the required criteria, the Fund has no component units, but is a component unit of the State of Illinois financial reporting entity. The financial balances and activities included in these basic financial statements could, therefore, also be included in the State's comprehensive annual financial report.

The IMSA Fund for Advancement of Education has been notified by the Illinois Office of the Comptroller that it is not material to the financial statements of the State of Illinois and will not be included in the State of Illinois Comprehensive Annual Financial Report.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Basis of Accounting

For financial reporting purposes, the Fund is considered a special-purpose government engaged only in business-type activities. Accordingly, the accompanying financial statements of the Fund have been prepared on the accrual basis of accounting using the economic resources measurement focus. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred.

3. Basis of Presentation

In accordance with GASB Statement No. 20, the Fund is required to follow all applicable GASB pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Private-sector standards issued after that date are not followed.

4. Cash and Cash Equivalents

Cash and cash equivalents include debt securities and certificates of deposit with a maturity of 90 days or less at the time of acquisition, cash on hand, cash in banks, and money market funds held in an investment account in the name of IMSA Fund for Advancement of Education.

5. Investments

Effective July 1, 2004, the Fund adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This GASB statement provides disclosure requirements related to deposit and investment risks: credit risk, interest rate risk, and foreign currency risk. Accordingly, these disclosures have been presented in Note C – Deposits and Investments.

Investments are recorded at fair market value as determined by quoted market prices. Investments are pooled for the purposes of allocating realized gains and losses, unrealized gains and losses and ordinary income, net of investment fees, to the unallocated reserve in the restricted fund. Allocation to specific accounts is based on contractual obligations and the Fund's investment policy.

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three-tier hierarchy of inputs is summarized as follows:

Level 1 – inputs are quoted prices in active markets for identical assets that are accessible at the date of measurement.

Level 2 – inputs other than quoted prices that are observable for an asset, either directly or indirectly.

Level 3 – unobservable inputs for an asset.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Accounts Receivable

Accounts receivable primarily consist of grant refunds due from the Academy. All accounts receivable are considered to be fully collectible and therefore an allowance for doubtful accounts is not necessary.

7. Unearned Revenue

Unearned revenue includes revenue received for advanced ticket sales for events that related to a subsequent accounting period and restricted funds received from a donor for which the eligibility requirements have not yet been met.

8. Classification of Revenues

The Fund has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues generally include activities that have the characteristics of exchange transactions or that are part of the Fund's mission to raise funds for the Academy, such as gifts, contributions and other revenues generated in support of the Academy, per contractual agreement with the Academy.

Non-operating revenues include investment income and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

9. Net Position

In the financial statements, equity is displayed in two components as follows:

Restricted – this consists of assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Fund's policy to use restricted resources first, then unrestricted resources when they are needed. These restricted resources are to be used for educational purposes.

Unrestricted – this consists of assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources that do not meet the definition of "restricted".

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Use of Estimates

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

11. Reclassifications

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.

NOTE C – DEPOSITS AND INVESTMENTS

The Fund independently manages its cash and cash equivalents which are maintained outside the State Treasury. A reconciliation of deposits and investments presented in this disclosure and the financial statement captions shown on the Statement of Net Position is as follows:

	<u>2018</u>	<u>2017</u>
Carrying Amount of Deposits	\$ 84,496	\$ 163,675
Carrying Amount of Investments	7,216,680	7,629,979
Money Market Funds	546,310	831,411
Petty Cash	<u>200</u>	<u>200</u>
Total	<u>\$ 7,847,686</u>	<u>\$ 8,625,265</u>

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 631,005	\$ 995,286
Investments	7,081,977	7,496,268
Endowment Investments	<u>134,704</u>	<u>133,711</u>
Total	<u>\$ 7,847,686</u>	<u>\$ 8,625,265</u>

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

1. Deposits

Deposits with financial institutions had a carrying amount of \$84,496 and \$163,675 and bank balances of \$90,968 and \$151,701 at June 30, 2018 and 2017, respectively. These amounts represent cash in banks and certificates of deposit.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure deposits may not be returned. At June 30, 2018 and 2017, deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC) or pledged collateral. Certificates of deposit were held in the Fund’s investment brokerage accounts.

2. Investments

The primary objective of investment activities shall be to prudently preserve and grow financial assets of the Fund. The Fund’s Investment Policy has the following guidelines 1) diversify the portfolio to minimize losses and to maximize appreciation and income; 2) use only investment grade instruments; and 3) stagger maturity dates to minimize yield risk.

Investments at June 30, 2018 consisted of the following managed funds:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				
		<u>No Maturity Date</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>10 +</u>
Mutual Funds-Bonds	\$1,785,138	\$ -	\$ 80,138	\$ 883,513	\$ 591,932	\$ 229,555
Equity Funds	<u>5,431,542</u>	<u>5,431,542</u>	-	-	-	-
Total	<u>\$7,216,680</u>	<u>\$5,431,542</u>	<u>\$ 80,138</u>	<u>\$ 883,513</u>	<u>\$ 591,932</u>	<u>\$ 229,555</u>

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

2. Investments (Continued)

Investments at June 30, 2017 consisted of the following managed funds:

Investment Maturities (in Years)

<u>Investment Types</u>	<u>Fair Value</u>	<u>No Maturity Date</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>10 +</u>
Mutual Funds-Bonds	\$2,646,342	\$ -	\$ 125,015	\$1,249,234	\$ 938,478	\$ 333,615
Equity Funds	4,882,718	4,882,718	-	-	-	-
IShares Currency Hedge	100,919	100,919	-	-	-	-
Total	<u>\$7,629,979</u>	<u>\$4,983,637</u>	<u>\$ 125,015</u>	<u>\$1,249,234</u>	<u>\$ 938,478</u>	<u>\$ 333,615</u>

In addition to the above investments, the Fund maintained money market funds (reported as cash equivalents on the statements of net position) in investment accounts that had a carrying amount and fair market value of \$546,310 and \$831,411 at June 30, 2018 and 2017, respectively.

The valuation by levels at June 30, 2018 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 546,310	\$ -	\$ -
Mutual Funds	1,785,138	-	-
Equity Funds	5,431,542	-	-
	<u>\$ 7,762,990</u>	<u>\$ -</u>	<u>\$ -</u>

The valuation by levels at June 30, 2017 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 831,411	\$ -	\$ -
Mutual Funds	2,646,342	-	-
Equity Funds	4,882,718	-	-
IShares Currency Hedged ETFs	-	100,919	-
	<u>\$ 8,360,471</u>	<u>\$ 100,919</u>	<u>\$ -</u>

The Fund's investments at June 30, 2018 and 2017 include uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Fund's name.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk: Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations.

As of June 30, 2018 and 2017 the Fund's investments in debt securities (other than U.S. Treasuries) were rated as follows:

<u>Standard & Poor's Rating</u>	<u>2018 Fair Market Value</u>	<u>2017 Fair Market Value</u>
AAA	\$ 160,560	\$ 178,404
AA1	-	145,423
Aa	101,807	-
A1	-	365,434
A	277,657	-
Baa	251,964	-
Baa1	-	378,486
Ba	9,105	-
Ba1	-	11,540
BBB	-	3,437
BB	-	55,195
B	1,517	73,429
CCC	-	13,687
Not Rated	5,564	12,502
Total	<u>\$ 808,174</u>	<u>\$ 1,237,537</u>

Interest Rate Risk: Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Fund has maintained its funds in highly liquid investments, but has not adopted a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Foreign currency risk: The Fund was exposed to limited foreign currency risk at June 30, 2018 and not exposed to foreign currency risk at June 30, 2017. The Fund's investment policy includes limitation on investment types that reduces the Fund's exposure to foreign currency risk.

The Fund experienced the following types of gains/losses on its investments during fiscal years:

	<u>2018</u>	<u>2017</u>
Net realized gains on disposition of investments	\$ 86,628	\$ 194,315
Net unrealized gains	186,050	335,673
Total net gains on investments	<u>\$ 272,678</u>	<u>\$ 529,988</u>

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE D – PLEDGES RECEIVABLE

Outstanding pledges are reflected in the accompanying financial statements for those promises/pledges to give for which all time and other eligibility requirements have been met as provided for in GASB Statement No. 33. At June 30, 2018 and 2017, pledges receivable were \$99,799 and \$107,783, respectively, and were classified as either short-term or long-term. Long-term pledges included discounts of \$0 and \$0 as of June 30, 2018 and 2017, respectively. The pledges are reported net of an allowance for doubtful accounts of \$502 and \$428 as of June 30, 2018 and 2017, respectively.

NOTE E – RELATED PARTY TRANSACTIONS

Effective August 29, 1996, the Fund entered into an agreement with the Illinois Mathematics and Science Academy (Academy), which specifies the relationship between the two organizations. This agreement states that the Fund is a separate corporate entity established primarily for the purpose of benefiting, performing the functions of, and carrying out certain charitable, educational, literary and scientific purposes of the Academy, and to assist the Academy in achieving and furthering its educational, research, and service goals. The Fund has agreed to provide financial support to the Academy (both directly and indirectly) and in exchange, the Academy has agreed to provide office space, equipment and personnel to enable the Fund to accomplish its purposes.

Both organizations acknowledge that State resources should not be used to provide for fundraising activities, which do not result in a value to the Academy of the same or greater value than what the Academy receives directly from the Fund. As long as the Academy receives direct or indirect program support from the Fund, which is greater than the costs the Academy incurs on behalf of the Fund, no reimbursement shall occur. If in any fiscal year those costs are greater than the program support provided to the Academy, the Fund will reimburse the Academy for the excess of the costs over the program support provided. For Fiscal Years 2018 and 2017, total program support provided to the Academy by the Fund was \$2,091,160 and \$2,342,640. The total costs incurred by the Academy for the Fund were approximately \$374,406 and \$253,004, respectively.

At June 30, 2018 and 2017, accounts receivable due from the Academy was \$39,800 and \$120,875, respectively.

At June 30, 2018 and 2017, contribution advances of \$609,404 and \$578,646, respectively, had been paid to the Academy but were deferred to the following year.

Other Related Parties

The Fund recognized contribution revenue from members of the Fund's Board of Directors and the Academy's Board of Trustees and those members' affiliated corporations and foundations in the amount of \$65,700 and \$106,918 during the years ended June 30, 2018 and 2017, respectively.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE F – INCOME TAXES

IMSA Fund for Advancement of Education is a non-profit organization, which has been granted a tax-exempt status as a public charity under Section 501(c) (3) of the Internal Revenue Code. The Fund is required to pay Federal and State income taxes only on its net unrelated business income. A provision for income taxes was not required for the years ended June 30, 2018 and 2017.

NOTE G – ENDOWMENTS

The Fund's Board established a quasi-endowment fund during the year ended June 30, 2008, with the creation of Stephanie Pace Marshall endowment for Innovation and Entrepreneurship. The endowment's principal objectives are the promotion and development of innovation and excellence in achieving the Academy's legislative mandate and strategic mission and objectives, including non-recurring purposes of the Academy not regularly funded by the State of Illinois. During Fiscal Years 2013 and 2014, the Fund's Board established three board-designated endowments. These endowment's principal objectives are Professional Field Services, McLaren Faculty Excellence Endowment and Total Applied Learning for Entrepreneurs programs. The balance of the quasi- and board-designated endowment fund as of June 30, 2018 and 2017 was \$5,862,888 and \$4,959,901, respectively. The principal of these endowments will not be expended, and is reported on the Statements of Net Position as "Unrestricted Net Position".

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(a Component Unit Of The State Of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE G – ENDOWMENTS (CONTINUED)

As permitted by State law, a distribution from investment earnings will be made available for purposes designated by the Fund's Board of Directors from the endowment funds. During Fiscal Years 2018 and 2017, the Fund's Board of Directors authorized a payment of up to 4%, of the average of the preceding three year balance. The amount approved for expenditure as of December 31, 2017 and 2016 was \$192,668 and \$158,347, respectively. During the fiscal years 2018 and 2017, \$93,304 and \$98,926 of the aforementioned authorized expenditures were made along with investment management fees. Any portion of the annual distributable funds not distributed in any given year will be retained in the Quasi-Endowment Fund in a pool of funds spendable in future years. Net appreciation of Quasi-Endowments was \$1,609,264 and \$1,332,487 as of June 30, 2018 and 2017, respectively.

Two permanent endowment funds were established pursuant to donors' gifts during the year ended June 30, 2007. Two additional permanent endowment funds were established during the fiscal year ended June 30, 2012. These endowments require the principal to remain intact and are reported on the Statements of Net Position as "Restricted Net Position, Nonexpendable". Net appreciation of donor restricted endowments was \$95,034 and \$81,683 as of June 30, 2018 and 2017, respectively.

All of the endowment and quasi-endowment funds are pooled for investment purposes. Each fund shares proportionally in any recognized or unrecognized capital gains and losses and in any other net earnings generated by those investments. No earnings will be distributed until 12 months after an endowed fund reaches \$20,000.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

And

Board of Directors
IMSA Fund for Advancement of Education
Aurora, Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the IMSA Fund for Advancement of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise IMSA Fund for Advancement of Education's basic financial statements, and have issued our report thereon dated January 7, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IMSA Fund for Advancement of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 IMSA Fund for Advancement of Education'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 IMSA Fund for Advancement of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

WASHINGTON, PITTMAN & McKEEVER, LLC

**Chicago, Illinois
January 7, 2019**