

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

**FINANCIAL AUDIT  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

**Performed as Special Assistant Auditors  
For the Auditor General, 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, 2021 and 2020**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
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	23
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 Standards</i>	 21
 Other Reports Issued Under a Separate Cover	
The IMSA Fund for Advancement of Education's Compliance Examination for the two years ended June 30, 2021, will be issued under a separate cover.	

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**FINANCIAL AUDIT**  
**For the Years Ended June 30, 2021 and 2020**

**AGENCY OFFICIALS**

Executive Director of Development - Illinois Mathematics and Science Academy	Ms. Tami Armstrong
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**BOARD OF DIRECTORS**

President/Executive Chair	Mr. Jacob Plummer
Secretary/Governance Chair	Mr. Kevin Brookins (6/30/2020 to current)
Secretary/Governance Chair	Dr. Ross Hemphill (to 6/30/20)
Vice President/Treasurer/Chair of Finance	Mr. Glenn Rippie
Member	Mr. Hector Correa (2/28/2020 to current)
Member	Mr. Michael C. Fountain
Member	Mr. Troy Henikoff (to 5/26/2021)
Member	Ms. Kimberly Simon (10/31/2019 to current)
Member	Mr. Taylor L. Smith (to 5/26/2021)
Member	Mr. Raj Tank (2/28/2020 to current)
Member	Mr. Richard R. Tung
Member	Mr. Sam Yagan
Member	Mr. Matt Maddox (5/26/2021 to current)
Member	Mr. Steve Crutchfield (5/26/2021 to current)
Member	Ms. Sharon Zeng (11/19/21 to current)

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

**IMSA FUND FOR ADVANCEMENT OF EDUCATION  
(A Component Unit of the State of Illinois)  
FINANCIAL AUDIT  
For the Years Ended June 30, 2021 and 2020**

**FINANCIAL SUMMARY REPORT**

**SUMMARY**

The audit of the accompanying financial statements of the IMSA Fund for Advancement of Education (Fund) as of and for the year ended June 30, 2021 was performed by Borschnack, Pelletier & Co..

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

The accompanying financial statements of the Fund as of and for the year ended June 30, 2020 were audited by other auditors whose report dated January 6, 2021 expressed an unmodified opinion on those financial statements.

**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 February 22, 2022.

## 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 (Fund), a component unit of the State of Illinois, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Fund'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 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 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 opinion.

## **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, of the Fund as of June 30, 2021 and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The financial statements of the Fund as of and for the year ended June 30, 2020, were audited by other auditors whose report thereon dated January 6, 2021, expressed an unmodified opinion on those financial statements. Certain reclassifications were made to agree with the current year presentation.

## **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 February 28, 2022, 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**

Kankakee, Illinois  
February 28, 2022

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2021 and 2020**

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>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 958,183	\$ 1,167,944
Investments	11,193,297	8,141,175
Accounts Receivable	141,566	51,690
Contribution Advances	21,477	270,325
Pledges Receivable, Net	<u>250,000</u>	<u>375,000</u>
<b>TOTAL ASSETS</b>	<u>12,564,523</u>	<u>10,006,134</u>
<b>LIABILITIES</b>		
Accounts Payable	<u>20,337</u>	<u>26,550</u>
<b>TOTAL LIABILITIES</b>	<u>20,337</u>	<u>26,550</u>
<b>NET POSITION</b>		
Unrestricted	9,689,543	7,650,380
Restricted, Expendable	1,614,733	1,378,395
Restricted, Nonexpendable	<u>1,239,910</u>	<u>950,809</u>
<b>TOTAL NET POSITION</b>	<u>\$ 12,544,186</u>	<u>\$ 9,979,584</u>

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2021 and 2020**

Fiscal year ended June 30, 2021 ended with an increase in net position of \$2,564,602. This change was influenced by the students not being on campus as a result of the COVID-19 pandemic combined with a substantial increase in the value of the endowment portfolio as a result of the positive markets.

**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 identified by the Fund and the Illinois Mathematics and Science Academy (Academy) that may be spent over consecutive fiscal years. 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 includes 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.



**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2021 and 2020**

**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>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Contributions	563,550	1,279,075
Operating Agreement with Academy	237,637	277,021
In-Kind Contributions of Goods or Services	<u>2,500</u>	<u>1,850</u>
<b>TOTAL OPERATING REVENUES</b>	<u>803,687</u>	<u>1,557,946</u>
<b>OPERATING EXPENSES</b>		
Academy Support	499,950	773,148
Management and General	110,133	79,834
Fundraising	43,210	29,836
Operating Agreement with Academy	<u>237,637</u>	<u>277,021</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>890,930</u>	<u>1,159,839</u>
<b>OPERATING INCOME (LOSS)</b>	(87,243)	398,107
<b>NON-OPERATING REVENUES AND EXPENSES</b>	2,362,744	462,260
<b>CONTRIBUTIONS TO PERMANENT ENDOWMENTS</b>	<u>289,101</u>	<u>323,818</u>
<b>CHANGE IN NET POSITION</b>	2,564,602	1,184,185
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>9,979,584</u>	<u>8,795,399</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 12,544,186</u>	<u>\$ 9,979,584</u>

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2021 and 2020**

**Operating Revenues**

Total Operating Revenues of the Fund decreased substantially from Fiscal Year 2020 as a result of the COVID-19 pandemic effecting contributions received.

The Fund's investment income increased during Fiscal Year 2021. The Fund recorded interest and dividends income of \$273,221 and net gains on investments of \$2,089,523 during Fiscal Year 2021, as compared to interest and dividend income of \$206,015 and net gains on investments of \$256,245 for Fiscal Year 2020.

**Operating Expenses**

**Academy Support**

The Fund recognized \$499,950 and \$773,148 in Fiscal Years 2021 and 2020, respectively, in direct support to the Academy. As a result of the COVID-19 pandemic, the necessity to fund programs that are normally on campus was not necessary resulting in a significant reduction in the costs related to supporting the Academy.

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 2021 fundraising expenses increased 45% compared to Fiscal Year 2020. During Fiscal Year 2021, the Fund expended more on a consultant to provide direction for a new endowment venture related to the Academy's PROMISE program.

**Management and General**

Management and general expenses increased from \$79,834 in Fiscal Year 2020 to \$110,133 in Fiscal Year 2021. The increase was primarily related to increases in audit fees, investment expenses, and equipment and licensing fees.

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.

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2021 and 2020**

**Change in Net Position**

Net Position increased by \$2,564,602 over the past fiscal year. During Fiscal Year 2021, net non-operating revenues and expenses allowed the Fund to operate at a gain. 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 \$209,761 decrease in cash and cash equivalents during Fiscal Year 2021.

**CONDENSED STATEMENTS OF CASH FLOWS**

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Supporters and Grantors	\$ 598,674	\$ 1,000,339
Cash Paid to Grantee, Suppliers and Academy Employees	<u>(408,158)</u>	<u>(935,149)</u>
Net Cash Provided by Operating Activities	<u>190,516</u>	<u>65,190</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received	273,463	206,015
Cash Payment for the Purchase of Investments	(2,938,399)	(3,607,467)
Cash Proceeds from Sale of Investments	<u>1,975,800</u>	<u>3,591,267</u>
Net Cash Provided by (Used in) Investing Activities	<u>(689,378)</u>	<u>189,815</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash Received for Permanent Endowments	<u>289,101</u>	<u>323,818</u>
Net Cash Provided by Noncapital Financing Activities	<u>289,101</u>	<u>323,818</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(209,761)</b>	<b>578,823</b>
<b>CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR</b>	<u>1,167,944</u>	<u>589,121</u>
<b>CASH AND CASH EQUIVALENTS-END OF YEAR</b>	<u>\$ 958,183</u>	<u>\$ 1,167,944</u>

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2021 and 2020**

**Economic Outlook**

The Fund continues to invest in a well-diversified, balanced approach. The Fund utilizes the services of a registered investment advisor, to manage fund assets according to policy. Assets are invested in mutual fund vehicles and actually held with the Fund's broker. The portfolio is made up of a balance of U.S. Equities, Non U.S. Equities, Fixed Income and Cash.

The Fund believes the macro environment remains favorable for equities. Economic growth should remain strong for at least a couple of years, which will help the rally in earnings to continue. The longer-term challenge for investors is that high equity valuations and low interest rates suggest low returns going forward.

- The global economy is growing rapidly as the pace of vaccinations accelerated and restrictions declined. Economic re-openings and activity are proceeding at different paces and the potential for resurgences of infections/restrictions continue to pose a threat to the strength of the economic recovery.
- Inflation spiked in the U.S. during the second quarter. The spike in inflation to this point appears to be driven by the base effect (comparisons to low post-COVID price levels) and shorter-term factors. Our base case is that inflation moderates near central bank targets. However, risks to the inflation outlook are tilted toward the upside.

We feel the diversified investment approach moderates the impact of any particular portfolio risk, while equity risk and interest rate risks remain dominant exposures. The approach seeks to balance portfolio growth with stability of returns. Assets are managed according to the time horizon, with long term assets more focused on growth and short term assets more focused on capital preservation. The Fund investment values have benefitted from the recent equity market strength. While the resulting heightened equity valuation presents a challenge and risk to returns going forward, The Fund believes its prudent investment strategy and investment policies will continue to result in positive results over the long term.

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

**STATEMENTS OF NET POSITION**

**As of June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 958,183	\$ 1,167,944
Investments	9,953,387	7,191,848
Accounts Receivable	141,566	51,690
Contribution Advances	21,477	270,325
Pledges Receivable, Net	125,000	125,000
Total Current Assets	<u>11,199,613</u>	<u>8,806,807</u>
<b>Non-Current Assets</b>		
Pledges Receivable, Net	125,000	250,000
Endowment Investments	1,239,910	949,327
Total Non-Current Assets	<u>1,364,910</u>	<u>1,199,327</u>
<b>TOTAL ASSETS</b>	<u>12,564,523</u>	<u>10,006,134</u>
<b>LIABILITIES</b>		
Accounts Payable	<u>20,337</u>	<u>26,550</u>
<b>TOTAL LIABILITIES</b>	<u>20,337</u>	<u>26,550</u>
<b>NET POSITION</b>		
Unrestricted	9,689,543	7,650,380
Restricted, Expendable	1,614,733	1,378,395
Restricted, Nonexpendable	1,239,910	950,809
<b>TOTAL NET POSITION</b>	<u>\$ 12,544,186</u>	<u>\$ 9,979,584</u>

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

**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, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>		
Contributions	\$ 563,550	\$ 1,279,075
Operating Agreement with Academy	237,637	277,021
In-Kind Contributions of Goods and Services	2,500	1,850
Total Revenues	803,687	1,557,946
<b>Operating Expenses</b>		
Academy Support	499,950	773,148
Management and General	110,133	79,834
Fundraising	43,210	29,836
Operating Agreement with Academy	237,637	277,021
Total Expenses	890,930	1,159,839
Operating Income (Loss)	(87,243)	398,107
<b>Non-Operating Revenues and Expenses</b>		
Interest and Dividend Income	273,221	206,015
Net Gains on Investments	2,089,523	256,245
Net Non-Operating Revenue (Expenses)	2,362,744	462,260
Income Before Other Revenues	2,275,501	860,367
Contributions to Permanent Endowments	289,101	323,818
Total Other Revenues	289,101	323,818
<b>CHANGE IN NET POSITION</b>	2,564,602	1,184,185
<b>NET POSITION - BEGINNING OF YEAR</b>	9,979,584	8,795,399
<b>NET POSITION - END OF YEAR</b>	\$ 12,544,186	\$ 9,979,584

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

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Supporters and Grantors	\$ 598,674	\$ 1,000,339
Cash Paid to Grantee, Suppliers and Academy Employees	(408,158)	(935,149)
Net Cash Provided by Operating Activities	190,516	65,190
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received	273,221	206,015
Cash Payment for the Purchase of Investments	(2,938,399)	(3,607,467)
Cash Proceeds from Sale of Investments	1,975,800	3,591,267
Net Cash Provided by (Used In) Investing Activities	(689,378)	189,815
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash Received for Permanent Endowments	289,101	323,818
Net Cash Provided by Noncapital Financing Activities	289,101	323,818
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(209,761)	578,823
<b>CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR</b>	1,167,944	589,121
<b>CASH AND CASH EQUIVALENTS-END OF YEAR</b>	\$ 958,183	\$ 1,167,944
<b>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ (87,243)	\$ 398,107
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Loss on Sale of Donated Stock	-	95
Bad Debt Expense	-	32,095
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(89,876)	12,345
Contribution Advances	248,848	(106,704)
Pledges Receivable	125,000	(291,176)
Accounts Payable	(6,213)	20,428
Total Adjustments	277,759	(332,917)
Net Cash Provided by Operating Activities	\$ 190,516	\$ 65,190
<b>NON CASH INVESTING ACTIVITIES</b>		
Unrealized gain on Investments	\$ 1,942,840	\$ 67,455

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

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

**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 the State of 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 Annual Comprehensive Financial Report.

**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.



**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cash in banks, and money market funds held in investment accounts in the name of the IMSA Fund for Advancement of Education.

**4. 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.

**5. 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.

**6. 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*.

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**7. 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”.

**8. 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.

**9. New Accounting Pronouncements**

During the year ended June 30, 2021, no new accounting pronouncements implemented by the Fund had a significant effect on the Funds financial statements. For the year ended June 30, 2022 and thereafter, the Fund will be required to implement GASB Statement No. 87, *Leases*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Fund has not yet evaluated the effect of these pronouncements on the Fund’s financial statements.

**10. Reclassifications**

Certain prior year amounts have been reclassified to conform with the current year classification.

**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:

	<b>2021</b>	<b>2020</b>
Carrying Amount of Deposits	\$ 214,260	\$ 545,698
Carrying Amount of Investments	11,193,297	8,141,175
Money Market Funds	743,723	622,046
Petty Cash	200	200
Total	<b>\$ 12,151,480</b>	<b>\$ 9,309,119</b>

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

**NOTE C – DEPOSITS AND INVESTMENTS (Continued)**

	<b>2021</b>	<b>2020</b>
Cash and Cash Equivalents	\$ 958,183	\$ 1,167,944
Investments	9,955,623	7,191,848
Endowment Investments	1,237,674	949,327
Total	\$ 12,151,480	\$ 9,309,119

**1. Deposits**

Deposits with financial institutions had a carrying amount of \$214,260 and \$545,698 and bank balances of \$235,777 and \$555,511 at June 30, 2021 and 2020, respectively. These amounts represent cash in banks.

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, 2021 and 2020, deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC). Money market funds 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, 2021 consisted of the following managed funds:

**Investment Maturities (in Years)**

<b>Investment Types</b>	<b>Fair Value</b>	<b>No Maturity Date</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>10 +</b>
Mutual Funds - Bonds	\$ 3,287,080	\$ 36,385	\$ 251,543	\$ 1,601,307	\$ 1,016,358	\$ 381,487
Mutual Funds - Stocks	7,906,217	7,906,217	-	-	-	-
Total	\$11,193,297	\$ 7,942,602	\$ 251,543	\$ 1,601,307	\$ 1,016,358	\$ 381,487

Investments at June 30, 2020 consisted of the following managed funds:

**Investment Maturities (in Years)**

<b>Investment Types</b>	<b>Fair Value</b>	<b>No Maturity Date</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>10 +</b>
Mutual Funds - Bonds	\$ 2,614,836	\$ 54,299	\$ 130,116	\$ 1,332,424	\$ 711,048	\$ 386,949
Mutual Funds – Stocks	5,526,339	5,526,339	-	-	-	-
Total	\$ 8,141,175	\$ 5,580,638	\$ 130,116	\$ 1,332,424	\$ 711,048	\$ 386,949

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

**NOTE C – DEPOSITS AND INVESTMENTS (Continued)**

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 \$743,723 and \$622,046 at June 30, 2021 and 2020, respectively.

The valuation by levels at June 30, 2021 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 743,723	\$ -	\$ -
Mutual Funds - Bonds	3,287,079	-	-
Mutual Funds - Stocks	<u>7,906,218</u>	-	-
	<u>\$ 11,937,020</u>	<u>\$ -</u>	<u>\$ -</u>

The valuation by levels at June 30, 2020 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 622,046	\$ -	\$ -
Mutual Funds - Bonds	2,614,836	-	-
Mutual Funds – Stocks	<u>5,526,339</u>	-	-
	<u>\$ 8,763,221</u>	<u>\$ -</u>	<u>\$ -</u>

The Fund’s investments at June 30, 2021 and 2020 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.

**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, 2021 and 2020 the Fund’s investments in debt securities (Mutual Funds – Bonds) were not rated by a nationally recognized statistical rating organization.

**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, 2021 and 2020, respectively. The Fund’s investment strategy mitigates risk of foreign currency loss with the balanced approach to sector segmentation.

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

	<u>2021</u>	<u>2020</u>
Net realized gains on disposition of investments	\$ 146,683	\$ 188,790
Net unrealized gains	<u>1,942,840</u>	<u>67,455</u>
Total net gains on investments	<u>\$ 2,089,523</u>	<u>\$ 256,245</u>

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

**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, 2021 and 2020, pledges receivable were \$250,000 and \$375,000, respectively, and were classified as either short-term or long-term. The pledges are reported net of an allowance for doubtful accounts of \$0 and \$0 as of June 30, 2021 and 2020, respectively.

**NOTE E – RELATED PARTY TRANSACTIONS**

Effective August 29, 1996, the Fund entered into an agreement with the 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 2021 and 2020, total program support provided to the Academy by the Fund was \$499,950 and \$773,148. The total costs incurred by the Academy for the Fund were approximately \$237,637 and \$277,021, respectively.

At June 30, 2021 and 2020, accounts receivable due from the Academy were \$141,566 and \$51,690, respectively.

At June 30, 2021 and 2020, contribution advances of \$21,477 and \$270,325, respectively, represents funds advanced 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 \$70,650 and \$46,600 during the years ended June 30, 2021 and 2020, respectively.

**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, 2021 and 2020.

**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(A Component Unit of the State of Illinois)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

**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, 2021 and 2020 was \$8,205,273 and \$6,307,735, respectively. The principal of these endowments will not be expended, and is reported on the Statements of Net Position as "Unrestricted Net Position". 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 available for future expenditure was \$3,875,940 and \$2,023,402 as of June 30, 2021 and 2020, respectively, and are reported as "Unrestricted Net Position".

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 2021 and 2020, 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, 2021 and 2020 was \$266,215 and \$225,982 respectively. During the fiscal years 2021 and 2020, \$99,254 and \$142,495 of the aforementioned authorized expenditures were made along with investment management fees.

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. Four additional permanent endowments were established during the fiscal year ended June 30, 2019. Two additional permanent endowments were established during fiscal year ended June 30, 2020. In fiscal year ended June 30, 2021 there was one new endowment created. 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 \$525,903 and \$185,646 as of June 30, 2021 and 2020, respectively, and are reported as "Restricted Net Position, Expendable".

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.

**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

**Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the IMSA Fund for Advancement of Education (Fund), a component unit of the State of Illinois, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and we have issued our report thereon dated February 28, 2022.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund'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 financial statements. 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*.

**Internal Control Over Financial Reporting**

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the Fund's 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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 above paragraphs 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.

### **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.

**SIGNED ORIGINAL ON FILE**

Kankakee, Illinois  
February 28, 2022