

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

**FINANCIAL AUDIT
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**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, 2022 and 2021

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IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT
For the Years Ended June 30, 2022 and 2021

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
Vice President/Treasurer/Chair of Finance	Mr. Glenn Rippie (to 10/24/22)
Vice President	Mr. Glenn Rippie (10/25/22 to current)
Interim Treasurer/Interim Chair of Finance	Mr. Matt Maddox (10/25/22 to current)
Member	Mr. Hector Correa
Member	Mr. Michael C. Fountain
Member	Mr. Troy Henikoff (to 5/26/2021)
Member	Ms. Kimberly Simon
Member	Mr. Taylor L. Smith (to 5/26/2021)
Member	Mr. Raj Tank
Member	Mr. Richard R. Tung
Member	Mr. Sam Yagan
Member	Mr. Matt Maddox (5/26/2021 to 10/24/22)
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, 2022 and 2021**

FINANCIAL STATEMENT 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, 2022 and June 30, 2021 was performed by Borschnack, Pelletier & Co.

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

EXIT CONFERENCE

The IMSA Fund for Advancement of Education waived holding an exit conference in a communication from Scott Kreiter, Senior Development Manager, dated November 7, 2022.



Certified Public Accountants & Consultants

200 East Court Street • Suite 608 • Kankakee, IL 60901
815.933.1771 • fax: 815.933.1163

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 Audit of the Financial Statements

Opinion

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 years ended June 30, 2022 and 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Fund as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design,

implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 - 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 November 9, 2022, on our consideration of the Fund'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 Fund'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 Fund's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Kankakee, IL
November 9, 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, 2022 and 2021

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>2022</u>	<u>2021</u>
ASSETS		
Cash and Cash Equivalents	\$ 830,083	\$ 958,183
Investments	9,940,378	11,193,297
Accounts Receivable	34,053	141,566
Contribution Advances	7,906	21,477
Pledges Receivable, Net	<u>125,000</u>	<u>250,000</u>
TOTAL ASSETS	<u>10,937,420</u>	<u>12,564,523</u>
LIABILITIES		
Accounts Payable	<u>17,847</u>	<u>20,337</u>
TOTAL LIABILITIES	<u>17,847</u>	<u>20,337</u>
NET POSITION		
Unrestricted	8,285,941	9,689,543
Restricted, Expendable	1,137,023	1,614,733
Restricted, Nonexpendable	<u>1,496,609</u>	<u>1,239,910</u>
TOTAL NET POSITION	<u>\$ 10,919,573</u>	<u>\$ 12,544,186</u>

IMSA FUND FOR ADVANCEMENT OF EDUCATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2022 and 2021

Fiscal year ended June 30, 2022 ended with a decrease in net position of \$1,624,613. The decline was directly related to the equity market and unrealized losses in the investment portfolio.

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, 2022 and 2021

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>2022</u>	<u>2021</u>
OPERATING REVENUES		
Contributions	495,480	563,550
Operating Agreement with Academy	282,505	237,637
In-Kind Contributions of Goods or Services	<u>6,935</u>	<u>2,500</u>
TOTAL OPERATING REVENUES	<u>784,920</u>	<u>803,687</u>
OPERATING EXPENSES		
Academy Support	521,100	499,950
Management and General	103,911	110,133
Fundraising	37,186	43,210
Operating Agreement with Academy	<u>282,505</u>	<u>237,637</u>
TOTAL OPERATING EXPENSES	<u>944,702</u>	<u>890,930</u>
OPERATING INCOME (LOSS)	(159,782)	(87,243)
NON-OPERATING REVENUES AND EXPENSES	(1,721,530)	2,362,744
CONTRIBUTIONS TO PERMANENT ENDOWMENTS	<u>256,699</u>	<u>289,101</u>
CHANGE IN NET POSITION	(1,624,613)	2,564,602
NET POSITION - BEGINNING OF YEAR	<u>12,544,186</u>	<u>9,979,584</u>
NET POSITION - END OF YEAR	<u>\$ 10,919,573</u>	<u>\$ 12,544,186</u>

IMSA FUND FOR ADVANCEMENT OF EDUCATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2022 and 2021

Operating Revenues

Total Operating Revenues of the Fund decreased slightly (2.3%) from Fiscal Year 2021 primarily due to the on-going COVID-19 restrictions imposed by the Academy limiting in-person gatherings. Such gatherings are an important factor in fund raising success.

Operating Expenses

Academy Support

The Fund recognized \$521,100 and \$499,950 in Fiscal Years 2022 and 2021, respectively, in direct support to the Academy. As a result of the COVID-19 pandemic, strict mitigation efforts were in place for the duration of each of the school years limiting the possibility of running programs that would otherwise occur.

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.

Management and General

Management and general expenses decreased from \$110,133 in Fiscal Year 2021 to \$103,911 in Fiscal Year 2022. The decrease was primarily related to decreases in audit fees, equipment and licensing fees, and subscriptions/memberships.

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.

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 2022 fundraising expenses decreased 13.9% compared to Fiscal Year 2021. During Fiscal Year 2021, the Fund expended funds on a consultant to help structure and guide the establishment of a new Endowment fund benefitting IMSA's STEM pipeline programs for underrepresented students. No similar expense was incurred in Fiscal Year 2022.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2022 and 2021

Non-Operating Revenues

The Fund's net investment income decreased during Fiscal Year 2022. The Fund recorded interest and dividends income of \$365,624 and a net loss on investments of \$2,087,154 during Fiscal Year 2022, as compared to interest and dividend income of \$273,221 and net gains on investments of 2,089,523 for Fiscal Year 2021.

Change in Net Position

Net Position decreased by \$1,624,613 over the past fiscal year. 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 \$128,100 decrease in cash and cash equivalents during Fiscal Year 2022.

CONDENSED STATEMENTS OF CASH FLOWS

For the Years Ended June 30,

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Supporters and Grantors	\$ 727,993	\$ 598,674
Cash Paid to Grantee, Suppliers and Academy Employees	<u>(644,181)</u>	<u>(408,158)</u>
Net Cash Provided by Operating Activities	<u>83,812</u>	<u>190,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	365,624	273,221
Cash Payment for the Purchase of Investments	(1,506,058)	(2,938,399)
Cash Proceeds from Sale of Investments	<u>671,823</u>	<u>1,975,800</u>
Net Cash Provided by (Used in) Investing Activities	<u>(468,611)</u>	<u>(689,378)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received for Permanent Endowments	<u>256,699</u>	<u>289,101</u>
Net Cash Provided by Noncapital Financing Activities	<u>256,699</u>	<u>289,101</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(128,100)	(209,761)
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>958,183</u>	<u>1,167,944</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 830,083</u>	<u>\$ 958,183</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, 2022 and 2021

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 outlook has become more uncertain as central banks tighten in an effort to tame inflation. Global economic growth softened on the back of sharply higher inflation which ate into household budgets. While the strong jobs market and higher wages have helped to cushion the blow, they have not fully offset higher prices. The Fund's view is that inflation will begin to decline over the next few quarters and the global economy will avoid severe recession due to the overall strength of consumer balance sheets and a strong labor market. However, the risk of downside scenarios has increased.

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. While recent equity and bond market declines have been challenging for the Fund, forward-looking return expectations have increased due to lower equity valuations and higher interest rates. 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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 830,083	\$ 958,183
Investments	8,443,769	9,953,387
Accounts Receivable	34,053	141,566
Contribution Advances	7,906	21,477
Pledges Receivable, Net	125,000	125,000
Total Current Assets	<u>9,440,811</u>	<u>11,199,613</u>
Non-Current Assets		
Pledges Receivable, Net	-	125,000
Endowment Investments	1,496,609	1,239,910
Total Non-Current Assets	<u>1,496,609</u>	<u>1,364,910</u>
TOTAL ASSETS	<u>10,937,420</u>	<u>12,564,523</u>
LIABILITIES		
Accounts Payable	<u>17,847</u>	<u>20,337</u>
TOTAL LIABILITIES	<u>17,847</u>	<u>20,337</u>
NET POSITION		
Unrestricted	8,285,941	9,689,543
Restricted, Expendable	1,137,023	1,614,733
Restricted, Nonexpendable	<u>1,496,609</u>	<u>1,239,910</u>
TOTAL NET POSITION	<u>\$ 10,919,573</u>	<u>\$ 12,544,186</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Contributions	\$ 495,480	\$ 563,550
Operating Agreement with Academy	282,505	237,637
In-Kind Contributions of Goods and Services	6,935	2,500
Total Revenues	<u>784,920</u>	<u>803,687</u>
 Operating Expenses		
Academy Support	521,100	499,950
Management and General	103,911	110,133
Fundraising	37,186	43,210
Operating Agreement with Academy	282,505	237,637
Total Expenses	<u>944,702</u>	<u>890,930</u>
Operating Income (Loss)	<u>(159,782)</u>	<u>(87,243)</u>
 Non-Operating Revenues and Expenses		
Interest and Dividend Income	365,624	273,221
Net Gains (Losses) on Investments	(2,087,154)	2,089,523
Net Non-Operating Revenue (Expenses)	<u>(1,721,530)</u>	<u>2,362,744</u>
Income Before Other Revenues	<u>(1,881,312)</u>	<u>2,275,501</u>
Contributions to Permanent Endowments	<u>256,699</u>	<u>289,101</u>
Total Other Revenues	<u>256,699</u>	<u>289,101</u>
 CHANGE IN NET POSITION	 (1,624,613)	 2,564,602
 NET POSITION - BEGINNING OF YEAR	 <u>12,544,186</u>	 <u>9,979,584</u>
 NET POSITION - END OF YEAR	 <u>\$ 10,919,573</u>	 <u>\$ 12,544,186</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 CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Supporters and Grantors	\$ 727,993	\$ 598,674
Cash Paid to Grantee, Suppliers and Academy Employees	(644,181)	(408,158)
Net Cash Provided by Operating Activities	83,812	190,516
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	365,624	273,221
Cash Payment for the Purchase of Investments	(1,506,058)	(2,938,399)
Cash Proceeds from Sale of Investments	671,823	1,975,800
Net Cash Provided by (Used In) Investing Activities	(468,611)	(689,378)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received for Permanent Endowments	256,699	289,101
Net Cash Provided by Noncapital Financing Activities	256,699	289,101
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(128,100)	(209,761)
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	958,183	1,167,944
CASH AND CASH EQUIVALENTS-END OF YEAR	\$ 830,083	\$ 958,183
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (159,782)	\$ (87,243)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Changes in Certain Assets and Liabilities:		
Accounts Receivable	107,513	(89,876)
Contribution Advances	13,571	248,848
Pledges Receivable	125,000	125,000
Accounts Payable	(2,490)	(6,213)
Total Adjustments	243,594	277,759
Net Cash Provided by Operating Activities	\$ 83,812	\$ 190,516
NONCASH INVESTING ACTIVITIES		
Unrealized gain (loss) on Investments	\$ (2,123,714)	\$ 1,942,840

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, 2022 and 2021

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 annual comprehensive 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, 2022 and 2021

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*.

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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, 2022, the Fund implemented GASB Statement No. 87, *Leases* and GASB Statement No. 92, *Omnibus 2020*. These statements did not have an impact on the Fund’s financial statements. For the year ending June 30, 2023 and thereafter, the Fund will be required to implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, GASB Statement No. 100, *Accounting Changes and Error Corrections*, and other pronouncements. The Fund has not yet evaluated the effect of these pronouncements on the Fund’s 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>2022</u>	<u>2021</u>
Carrying Amount of Deposits	\$ 205,006	\$ 214,260
Carrying Amount of Investments	9,940,378	11,193,297
Money Market Funds	624,877	743,723
Petty Cash	<u>200</u>	<u>200</u>
Total	<u>\$ 10,770,461</u>	<u>\$ 12,151,480</u>

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NOTE C – DEPOSITS AND INVESTMENTS (Continued)

	2022	2021
Cash and Cash Equivalents	\$ 830,083	\$ 958,183
Investments	8,443,769	9,955,623
Endowment Investments	1,496,609	1,237,674
Total	\$ 10,770,461	\$ 12,151,480

1. Deposits

Deposits with financial institutions had a carrying amount of \$205,006 and \$214,260 and bank balances of \$234,496 and \$235,777 at June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022 consisted of the following managed funds:

Investment Maturities (in Years)

Investment Types	Fair Value	No Maturity Date	Less Than 1	1-5	6-10	10 +
Mutual Funds - Bonds	\$ 3,099,272	\$ -	\$ 228,523	\$ 1,232,815	\$ 1,190,766	\$ 447,168
Mutual Funds - Stocks	6,841,106	6,841,106	-	-	-	-
Total	\$ 9,940,378	\$ 6,841,106	\$ 228,523	\$ 1,232,815	\$ 1,190,766	\$ 447,168

Investments at June 30, 2021 consisted of the following managed funds:

Investment Maturities (in Years)

Investment Types	Fair Value	No Maturity Date	Less Than 1	1-5	6-10	10 +
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

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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 \$624,877 and \$743,723 at June 30, 2022 and 2021, respectively.

The valuation by levels at June 30, 2022 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 624,877	\$ -	\$ -
Mutual Funds - Bonds	3,099,272	-	-
Mutual Funds - Stocks	<u>6,841,106</u>	<u>-</u>	<u>-</u>
	<u>\$10,565,255</u>	<u>\$ -</u>	<u>\$ -</u>

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>-</u>	<u>-</u>
	<u>\$11,937,020</u>	<u>\$ -</u>	<u>\$ -</u>

The Fund's investments at June 30, 2022 and 2021 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, 2022 and 2021 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, 2022 and 2021, 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>2022</u>	<u>2021</u>
Net realized gains on disposition of investments	\$ 36,560	\$ 146,683
Net unrealized gains	<u>(2,123,714)</u>	<u>1,942,840</u>
Total net gains on investments	<u>\$ (2,087,154)</u>	<u>\$ 2,089,523</u>

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June 30, 2022 and 2021

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, 2022 and 2021, pledges receivable were \$125,000 and \$250,000, 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, 2022 and 2021, 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 2022 and 2021, total program support provided to the Academy by the Fund was \$521,100 and \$499,950. The total costs incurred by the Academy for the Fund were approximately \$282,505 and \$237,637, respectively.

At June 30, 2022 and 2021, accounts receivable due from the Academy were \$34,053 and \$141,566, respectively.

At June 30, 2022 and 2021, contribution advances of \$7,906 and \$21,477, 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 \$38,750 and \$70,650 during the years ended June 30, 2022 and 2021, 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, 2022 and 2021.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE G – ENDOWMENTS

The Fund Board of Directors established a quasi-endowment fund during the year ended June 30, 2008, named the 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, 2022 and 2021 was \$6,859,420 and \$8,205,273, 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 \$2,505,087 and \$3,875,940 as of June 30, 2022 and 2021, 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 2022 and 2021, 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 \$286,248 and \$266,215 respectively. During the fiscal years 2022 and 2021, \$135,887 and \$99,254 of the aforementioned authorized expenditures were made along with investment management fees.

As of June 30, 2022, the Fund is the holder and custodian of twelve separate permanent endowment funds. 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 \$176,247 and \$525,903 as of June 30, 2022 and 2021, 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.

NOTE H – SUBSEQUENT EVENTS

Subsequent to June 30, 2022, the Fund's investment portfolios experienced unrealized losses of approximately \$275,000. These losses are due to market volatility and are anticipated to be temporary.



Certified Public Accountants & 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

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, 2022, 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 November 9, 2022.

Report on 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 as basis for designing 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.

Report on 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*.

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
November 9, 2022