

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

**FINANCIAL AUDIT AND
COMPLIANCE EXAMINATION
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

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

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
 FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
 For the Years Ended June 30, 2011 and 2010

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IMSA FUND FOR ADVANCEMENT OF EDUCATION
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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
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AGENCY OFFICIALS

Vice President for Advancement - Illinois Mathematics and Science Academy (to 6/30/2011)	Ms. Suzyn M. Price
Vice President of Strategy and Advancement - Illinois Mathematics and Science Academy (7/1/2011 to Current)	Ms. Cathy Veal
Executive Director of Development – Illinois Mathematics and Science Academy (11/3/2011 to Current)	Mr. Paul F. Milano
Director of Operations for Advancement	Mr. Thomas Walter

BOARD OF DIRECTORS

Officers

Chairman (7/1/2010 to 12/31/2010) (1/1/2011 to Current)	Mr. Gregory K. Jones Dr. Stephanie Pace Marshall
President (to 7/22/2010) (7/23/2010 to 12/31/2010) (1/1/2011 to Current)	Mr. Herbert B. Knight Dr. Stephanie Pace Marshall Mr. John Hoesley
Vice President of Fund Board	Ms. Pamela Blackwell
Vice President of Finance (to 12/31/2010) (1/1/2011 to 11/30/2011)	Mr. John Hoesley Mr. Herbert B. Knight
Vice President of Governance	Mr. Fidel Marquez, Jr.
Treasurer (7/1/2010 to 6/8/2011) (6/9/2011 to 11/30/2011)	Mr. John Hoesley Mr. Herbert B. Knight
Secretary (to 6/30/2011) (7/1/2011 to Current)	Ms. Suzyn M. Price Mr. Thomas Walter

Directors

Ms. Maureen E. Sullivan	Dr. Stephanie Pace Marshall
Mr. Vasu Kulkarni	Mr. Michael Sloan
Mr. Jarvis Yeh (to 6/30/2011)	Ms. Chelsy A. Hopper
Mr. Martin J. DiMarzio	Mr. Fidel Marquez, Jr.
Mr. Herbert B. Knight (to 11/30/2011)	Ms. Jean K. Holley (to 6/14/2011)
Ms. Vanessa C. Gage	Ms. Pamela Blackwell
Mr. John Hoesley	Mr. Gregory K. Jones
Mr. Jordan Koss	Mr. G. Thomas Castino (to 6/14/2010)
Mr. Michael Suh (10/3/2011 to Current)	

Agency Offices are located at:
1500 W. Sullivan Road, Suite 200, Aurora, Illinois 60506 – 1000

IMSA FUND

December 12, 2011

for advancement of education

Borschneck, Pelletier & Co.
Certified Public Accountants
200 E. Court St., Suite 608
Kankakee, IL 60901



Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the IMSA Fund for Advancement of Education. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the IMSA Fund for Advancement of Education's compliance with the following assertions during the two years ended June 30, 2011. Based on this evaluation, we assert that during the years ended June 30, 2011 and June 30, 2010, the IMSA Fund for Advancement of Education has materially complied with the assertions below.

A. The IMSA Fund for Advancement of Education has obligated, expended, received and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The IMSA Fund for Advancement of Education has obligated, expended, received and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

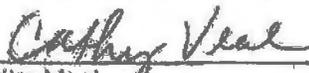
C. The IMSA Fund for Advancement of Education has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

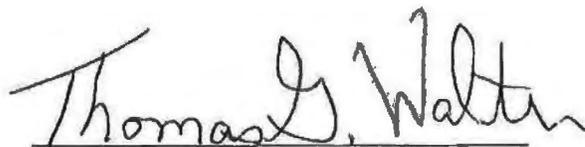
D. Revenues and receipts collected by the IMSA Fund for Advancement of Education are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

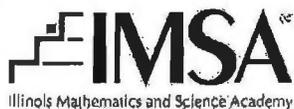
E. Money or negotiable securities or similar assets handled by the IMSA Fund for Advancement of Education or held in trust by the Fund have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

IMSA Fund for Advancement of Education


Cathy Veal
Vice President of Strategy and Advancement


Thomas Walter
Director of Operations



IMSA Fund for Advancement of Education
1500 West Sullivan Road | Aurora, Illinois 60506-1000
P (630) 907-5040 E giving@imsa.edu
F (630) 907-5940 W www.imsa.edu/giving

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
 FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
 For the Years Ended June 30, 2011 and 2010

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORT

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	Report	Reports
Findings	1	1
Repeated findings	1	0
Prior recommendations implemented or not repeated	0	3

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

11-1	10	Financial Statement Reclassifications	Material Weakness
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CURRENT FINDINGS – STATE COMPLIANCE

In addition, the following finding which is reported as a current findings relating to *Government Auditing Standards* also meets the reporting requirements for State Compliance.

11-1	10	Financial Statement Reclassifications	Noncompliance
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PRIOR FINDINGS NOT REPEATED

11	None
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STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Years Ended June 30, 2011 and 2010

EXIT CONFERENCE

The IMSA Fund for Advancement of Education waived holding an exit conference in a communication from Thomas Walter dated December 1, 2011.

The Response to the recommendation was provided by Thomas Walter in a communication dated November 29, 2011.

**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

And

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

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the IMSA Fund for Advancement of Education's (a component unit of the State of Illinois) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2011. The management of the IMSA Fund for Advancement of Education is responsible for compliance with these requirements. Our responsibility is to express an opinion on the IMSA Fund for Advancement of Education's compliance based on our examination.

- A. The IMSA Fund for Advancement of Education has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The IMSA Fund for Advancement of Education has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The IMSA Fund for Advancement of Education has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. Revenues and receipts collected by the IMSA Fund for Advancement of Education are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the IMSA Fund for Advancement of Education or held in trust by the IMSA Fund for Advancement of Education have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the IMSA Fund for Advancement of Education's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the IMSA Fund for Advancement of Education's compliance with specified requirements.

In our opinion, the IMSA Fund for Advancement of Education complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2011. However, the results of our procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which is described in the accompanying schedule of findings as finding 11-1.

Internal Control

Management of the IMSA Fund for Advancement of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the IMSA Fund for Advancement of Education's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the IMSA Fund for Advancement of Education's internal control over compliance.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A material weakness in an entity's internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material

weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

There were no immaterial findings that have been excluded from this report.

The IMSA Fund for Advancement of Education's response to the finding identified in our examination is described in the accompanying schedule of findings. We did not examine the IMSA Fund for Advancement of Education's response and, accordingly, we express no opinion on the response.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the IMSA Fund for Advancement of Education as of and for the year ended June 30, 2011, which comprise the IMSA Fund for Advancement of Education's basic financial statements, and have issued our report thereon dated December 12, 2011. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the IMSA Fund for Advancement of Education. The 2011 Supplementary Information for State Compliance Purposes has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2011, taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the IMSA Fund for Advancement of Education's basic financial statements for the years ended June 30, 2010 and June 30, 2009. In our reports dated January 4, 2011 and December 8, 2009, we expressed unqualified opinions on the financial statements of the business-type activities of the IMSA Fund for Advancement of Education. In our opinion, the 2010 and 2009 Supplementary Information for State Compliance Purposes is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2010 and June 30, 2009, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, management, and the Board of Directors of IMSA Fund for Advancement of Education and is not intended to be and should not be used by anyone other than these specified parties.



December 12, 2011

**INDEPENDENT AUDITORS' 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 William G. Holland
Auditor General
State of Illinois

And

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

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the IMSA Fund for Advancement of Education (a component unit of the State of Illinois), as of and for the year ended June 30, 2011 which comprise the IMSA Fund for Advancement of Education's basic financial statements, and have issued our report thereon dated December 12, 2011. 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.

Internal Control Over Financial Reporting

Management of the IMSA Fund for Advancement of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the IMSA Fund for Advancement of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, and not for the purpose of expressing an opinion on the effectiveness of the IMSA Fund for Advancement of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the IMSA Fund for Advancement of Education's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there

can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified . However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in finding 11-1 in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IMSA Fund for Advancement of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The IMSA Fund for Advancement of Education's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the IMSA Fund for Advancement of Education's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, management and the Board of Directors of the IMSA Fund for Advancement of Education and is not intended to be and should not be used by anyone other than these specified parties.

Borschneck, Pelletier & Co.

December 12, 2011

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
CURRENT FINDINGS
For the Year Ended June 30, 2011

11-1 Finding: Financial Statement Reclassifications

The IMSA Fund for Advancement of Education (Fund) did not initially properly report its cash and investments and net asset classifications on its June 30, 2011 financial statements.

During our audit we noted the following financial statement reporting matters that required reclassification:

- The Fund incorrectly reported \$284,263 of certificates of deposit with original maturity dates of greater than three months as cash equivalents instead of investments in the Statement of Net Assets. After bringing this matter to their attention, the Fund reclassified its certificates of deposit to investments.
- The Fund initially included \$19,477 of earnings on its permanent endowments in the net asset category “Restricted Net Assets, Nonexpendable.” The language of these written endowments clearly allows the earnings on the assets to be expended in accordance with the terms of the agreement. After bringing this to their attention, the Fund corrected this reporting error and has reported the earnings in the net asset category “Restricted Net Assets, Expendable.”

The Fund’s Board of Directors and management share the ultimate responsibility for the Fund’s internal control over financial reporting. This responsibility should include an adequate system of review of the completeness and accuracy of the Fund’s financial statements and disclosures to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Fund to establish and maintain a system of internal fiscal and administrative controls which would include controls over the accurate preparation of financial statements.

Fund officials stated that this error was a result of management oversight.

Failure to prepare accurate financial statements in accordance GAAP may result in financial statements that are materially misstated. (Finding Code Nos. 11-1, 10-1)

Recommendation

We recommend Fund management thoroughly review its financial statements and verify amounts in order to ensure the financial statements are properly presented in accordance with accounting principles generally accepted in the United States of America.

Fund Response

The Fund acknowledges the finding, made all the reclassifications and resubmitted its financial statements to the auditors. In total, the Net Assets of the Fund were reported correctly on the year-end financial statements.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
PRIOR FINDINGS NOT REPEATED
For the Year Ended June 30, 2011

There were no prior findings in the prior reports that were not repeated.

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the IMSA Fund for Advancement of Education as of and for the years ended June 30, 2011 and 2010 was performed by Borschnack, Pelletier & Co.

Based on their audits, the auditors expressed unqualified opinions on the Fund's basic financial statements as of and for the years ended June 30, 2011 and 2010.

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

And

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

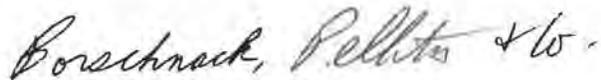
As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the IMSA Fund for Advancement of Education (a component unit of the State of Illinois), as of and for the years ended June 30, 2011 and 2010, which comprise the IMSA Fund for Advancement of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the IMSA Fund for Advancement of Education's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the IMSA Fund for Advancement of Education, as of June 30, 2011 and 2010 and the changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2011 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 15 through 20 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



December 12, 2011

STATE OF ILLINOIS
 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, 2011 and 2010

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 footnotes as a complete financial report.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets 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 ASSETS
 For the Years Ended June 30,

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 919,169	\$ 840,984
Investments	3,293,581	2,683,087
Accounts Receivable	81,065	62,803
Contribution Advances	311,810	156,708
Prepaid Expenses	4,863	3,470
Pledges Receivable, Net	1,101,095	52,262
TOTAL ASSETS	\$ 5,711,583	\$ 3,799,314
LIABILITIES		
Accounts Payable	\$ 16,438	\$ 32,556
Deferred Revenue	3,644	6,375
TOTAL LIABILITIES	20,082	38,931
NET ASSETS		
Unrestricted Net Assets	3,980,182	2,446,151
Restricted Net Assets, Expendable	1,639,194	1,269,107
Restricted Net Assets, Nonexpendable	72,125	45,125
TOTAL NET ASSETS	5,691,501	3,760,383
TOTAL LIABILITIES AND NET ASSETS	\$ 5,711,583	\$ 3,799,314

STATE OF ILLINOIS
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, 2011 and 2010

Fiscal year ended June 30, 2011 ended with an increase in net assets of \$1,931,118. This change was influenced by significant gains in the investment portfolio and a large increase in pledges receivable. Overall cash and investments increased by \$688,679. Liabilities recorded in 2011 decreased and remained minor overall.

Pledges Receivable

Pledges receivable are voluntary nonexchange transactions. Revenue was recognized by the Fund in the year when all of the eligibility requirements were met in accordance with Governmental Accounting Standards Board Statement No. 33. During fiscal year 2011, the Fund received a pledge of \$1,000,000 from a single donor.

Contribution Advances

Contribution advances represent grants that may be spent over consecutive fiscal years. The Fund and the Academy identify those awards that may be carried over into another fiscal year. In order to account for those particular awards the Fund records them as contribution advances. Grants that have an award date ending on or before 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 Assets

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

STATE OF ILLINOIS
 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, 2011 and 2010

Statement of Revenues, Expenses, and Changes in Net Assets

The purpose of the Statement of Revenues, Expenses, and Changes in Net Assets 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, interest and dividend 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 ASSETS**
 For the Years Ended June 30,

	2011	2010
OPERATING REVENUES		
Contributions	\$ 2,077,145	\$ 885,010
Operating Agreement with Academy	269,600	259,441
Other Operating Revenues	85,495	21,361
TOTAL OPERATING REVENUES	2,432,240	1,165,812
OPERATING EXPENSES		
Academy Support	836,585	1,029,230
Management and General	99,910	90,984
Fundraising	54,412	72,938
Operating Agreement with Academy	269,600	259,441
TOTAL OPERATING EXPENSES	1,260,507	1,452,593
OPERATING INCOME (LOSS)	1,171,733	(286,781)
NON-OPERATING REVENUES AND EXPENSES	732,385	325,021
CONTRIBUTIONS TO PERMANENT ENDOWMENTS	27,000	6,125
CHANGE IN NET ASSETS	1,931,118	44,365
NET ASSETS – BEGINNING OF YEAR	3,760,383	3,716,018
NET ASSETS – END OF YEAR	\$ 5,691,501	\$ 3,760,383

Operating Revenue

The total Contributions of the Fund increased 134.7% from fiscal year 2010 to fiscal year 2011.

STATE OF ILLINOIS
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, 2011 and 2010

Non-Operating Revenues and Expenses

The Fund's net gains on investments increased during the past fiscal year. The Fund recorded interest and dividend income of \$69,942 and net gains on investments of \$662,443 during fiscal year 2011. Interest and dividend income decreased 7.2% from fiscal year 2010 to fiscal year 2011 and gains (losses) in investments increased 165.3% from fiscal year 2010 to fiscal year 2011.

Academy Support

The Fund recognized \$836,585 and \$1,029,230 in fiscal years 2011 and 2010, respectively, in direct support to the Academy. The decrease was due to the Academy not spending as much of the awards it was given. As a result, contribution advances increased by \$155,102.

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 exemption from tax. 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 other organizations.

Fundraising

Fundraising expenses are total expenses incurred in soliciting contributions, gifts, grants, etc. Reported as fundraising expenses are all expenses, incurred in:

- A. Publicizing and conducting fund raising campaigns
- B. Soliciting bequests and grants
- C. Preparing and distributing fundraising manuals
- D. Conducting special events to generate contributions

The fiscal year 2011 Fundraising expenses decreased 25.4% compared to fiscal year 2010.

Management and General

Management and general expenses and fundraising expenses combined, decreased from \$163,922 in fiscal year 2010 to \$154,322 in fiscal year 2011.

Management and General Expenses includes 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, and preparation, publication, and distribution of an the annual report; and investment expenses.

STATE OF ILLINOIS
 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, 2011 and 2010

Change in Net Assets

Net Assets increased by \$1,931,118 over the past fiscal year. The increase can be attributed to improved budgetary management and increases in investment holdings as well as increased contributions. The fund continues 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 from operations, investing and financing activities. The Fund had a \$78,185 increase in cash and cash equivalents during fiscal year 2011. This primarily resulted from gains on investment positions. Operating activities resulted in a cash outflow of \$70,706.

CONDENSED STATEMENTS OF CASH FLOWS
 For the Years Ended June 30,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Supporters and Grantors	\$ 1,057,554	\$ 919,521
Cash Paid to Grantee, Suppliers and Employees	(1,128,260)	(1,189,189)
	(70,706)	(269,668)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	69,942	75,332
Cash Payment for the Purchase of Investments	(1,237,406)	(1,346,962)
Cash Proceeds from Sale of Investments	1,289,355	1,634,448
	121,891	362,818
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received for Permanent Endowments	27,000	6,125
	27,000	6,125
NET INCREASE IN CASH AND CASH EQUIVALENTS	78,185	99,275
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	840,984	741,709
END OF YEAR	\$ 919,169	\$ 840,984

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2011 and 2010

Economic Outlook

The Fund continues to invest in various investment securities. During the current fiscal year, the overall economy and financial markets began to stabilize, and many of the Fund's investment holdings recovered and increased from prior fiscal periods. However, there was still substantial doubt about the future economic outlook of financial markets at year-end, and investment securities were exposed to various risks such as interest rate, market and credit risks.

The Fund has maintained a higher cash equivalents balance because of its projection to support the Academy. While the market environment remains uncertain, the Fund believes its prudent investment strategy and policies will continue to show improved results in future fiscal years.

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
STATEMENTS OF NET ASSETS
 As of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 919,169	\$ 840,984
Investments	3,221,456	2,637,962
Accounts Receivable	81,065	62,803
Contribution Advances	311,810	156,708
Prepaid Expenses	4,863	3,470
Pledges Receivable, Net	198,865	52,262
Total Current Assets	<u>4,737,228</u>	<u>3,754,189</u>
Non-Current Assets		
Pledges Receivable, Net	902,230	-
Endowment Investments	72,125	45,125
Total Non-Current Assets	<u>974,355</u>	<u>45,125</u>
TOTAL ASSETS	<u>\$ 5,711,583</u>	<u>\$ 3,799,314</u>
LIABILITIES		
Accounts Payable	\$ 16,438	\$ 32,556
Deferred Revenue	3,644	6,375
TOTAL LIABILITIES	<u>20,082</u>	<u>38,931</u>
NET ASSETS		
Unrestricted Net Assets	3,980,182	2,446,151
Restricted Net Assets, Expendable	1,639,194	1,269,107
Restricted Net Assets, Nonexpendable	72,125	45,125
TOTAL NET ASSETS	<u>5,691,501</u>	<u>3,760,383</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,711,583</u>	<u>\$ 3,799,314</u>

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

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Contributions	\$ 2,077,145	\$ 885,010
Operating Agreement with Academy	269,600	259,441
Program Fees	16,099	19,470
In-Kind Contributions of Goods and Equipment	72,175	860
Special Events (Net)	(4,764)	680
Other Operating Revenues	1,985	351
Total Revenues	<u>2,432,240</u>	<u>1,165,812</u>
Operating Expenses		
Academy Support	836,585	1,029,230
Management and General	99,910	90,984
Fundraising	54,412	72,938
Operating Agreement with Academy	269,600	259,441
Total Expenses	<u>1,260,507</u>	<u>1,452,593</u>
Operating Income (Loss)	<u>1,171,733</u>	<u>(286,781)</u>
Non-Operating Revenues and Expenses		
Interest and Dividend Income	69,942	75,332
Net Gains (Losses) on Investments	662,443	249,689
Net Non-Operating Revenue (Expenses)	<u>732,385</u>	<u>325,021</u>
Income (Loss) Before Other Revenues	<u>1,904,118</u>	<u>38,240</u>
Contributions to Permanent Endowments	27,000	6,125
Total Other Revenues	<u>27,000</u>	<u>6,125</u>
CHANGE IN NET ASSETS	1,931,118	44,365
NET ASSETS - BEGINNING OF YEAR	<u>3,760,383</u>	<u>3,716,018</u>
NET ASSETS - END OF YEAR	<u>\$ 5,691,501</u>	<u>\$ 3,760,383</u>

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

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Supporters and Grantors	\$ 1,057,554	\$ 919,521
Cash Paid to Grantee, Suppliers and Employees	(1,128,260)	(1,189,189)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(70,706)	(269,668)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	69,942	75,332
Cash Payment for the Purchase of Investments	(1,237,406)	(1,346,962)
Cash Proceeds from Sale of Investments	1,289,355	1,634,448
NET CASH PROVIDED BY INVESTING ACTIVITIES	121,891	362,818
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received for Permanent Endowments	27,000	6,125
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	27,000	6,125
INCREASE IN CASH AND CASH EQUIVALENTS	78,185	99,275
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	840,984	741,709
END OF YEAR	\$ 919,169	\$ 840,984
RECONCILIATION OF OPERATING (LOSS) INCOME TO		
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Operating (Loss) Income	\$ 1,171,733	\$ (286,781)
Adjustments to Reconcile Operating (Loss) Income to		
Net Cash (Used In) Provided by Operating Activities:		
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(18,262)	7,276
Contribution Advances	(155,102)	(26,740)
Prepaid Expenses	(1,393)	133
Pledges Receivable	(1,048,833)	9,489
Accounts Payable	(16,118)	29,710
Deferred Revenue	(2,731)	(2,755)
Total Adjustments	(1,242,439)	17,113
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (70,706)	\$ (269,668)

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

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE A – ORGANIZATION

The IMSA Fund for Advancement of Education (Fund) is a nonprofit 501(c)(3) corporation established and maintained for the purposes of benefiting, performing the functions of, or carrying out certain charitable, educational, literary and scientific purposes of the Illinois Mathematics and Science Academy (Academy). The Academy was created through an Act of the State of Illinois General Assembly to offer a uniquely challenging education for students talented in the areas of mathematics, science, and technology. The Academy also functions as a laboratory for the development and testing of new techniques of mathematics, science, and humanities teaching for secondary schools throughout Illinois. Providing support to and on behalf of the Academy is the IMSA 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 Fund's 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. 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 IMSA 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 are, therefore, also included in the State's comprehensive annual financial report.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Financial Reporting Entity – (Continued)

The IMSA Fund for Advancement of Education, which was determined to be a component unit of the State of Illinois, is combined and discretely presented in the State of Illinois' financial statements. The State of Illinois Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

2. Basis of Accounting

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

3. Basis of Presentation

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

4. Cash and Cash Equivalents

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

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
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NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Investments

Effective July 1, 2004, the IMSA 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 made in Note C – Deposits and Investments.

6. Accounts Receivable

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

7. 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*.

8. Net Assets

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

Restricted – this consists of net assets 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.

Unrestricted – this consists of net assets that do not meet the definition of "restricted".

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 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011 and 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

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 Assets is as follows:

	<u>2011</u>	<u>2010</u>
Carrying amount of Deposits	\$ 456,401	\$ 530,576
Carrying amount of Investments	3,009,319	2,327,228
Money market funds	746,830	666,067
Petty cash	200	200
Total	<u>\$ 4,212,750</u>	<u>\$ 3,524,071</u>
	<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents	\$ 919,169	\$ 840,984
Investments	3,221,456	2,637,962
Endowment Investments	72,125	45,125
Total	<u>\$ 4,212,750</u>	<u>\$ 3,524,071</u>

1. Deposits

Deposits with financial institutions had carrying amounts of \$456,401 and \$530,576 and bank balances of \$457,093 and \$534,374 at June 30, 2011 and 2010, respectively. These amounts represent cash in banks and certificates of deposit.

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

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011 and 2010

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

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, 2011 consisted of the following managed funds:

<u>Investment Types</u>	<u>Investment Maturities (in Years)</u>					
	<u>Fair Value</u>	No Maturity Date	Less Than 1	1-5	6-10	10 +
Corporate Debt Securities	\$ 79,971	\$ -	\$ -	\$ 79,971	\$ -	\$ -
Corporate Equity	2,133,148	2,133,148	-	-	-	-
U.S. Treasuries	198,476	-	47,076	151,400	-	-
U.S. Agency Obligations	434,090	-	324,203	89,912	-	19,975
FNMA Mortgage Backed Securities	10,436	-	-	10,436	-	-
Municipal Debt Securities	<u>153,198</u>	<u>-</u>	<u>30,821</u>	<u>-</u>	<u>-</u>	<u>122,377</u>
Total	<u>\$3,009,319</u>	<u>\$2,133,148</u>	<u>\$ 402,100</u>	<u>\$ 331,719</u>	<u>\$ -</u>	<u>\$ 142,352</u>

Investments at June 30, 2010 consisted of the following managed funds:

<u>Investment Types</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	No Maturity Date	Less Than 1	1-5	6-10
Corporate Debt Securities	\$ 79,802	\$ -	\$ -	\$ 79,802	\$ -
Corporate Equity	1,540,083	1,540,083	-	-	-
U.S. Treasuries	228,116	-	72,945	155,171	-
U.S. Agency Obligations	404,970	-	-	394,825	10,145
FNMA Mortgage Backed Securities	31,915	-	-	21,263	10,652
Municipal Debt Securities	<u>42,342</u>	<u>-</u>	<u>-</u>	<u>42,342</u>	<u>-</u>
Total	<u>\$ 2,327,228</u>	<u>\$ 1,540,083</u>	<u>\$ 72,945</u>	<u>\$ 693,403</u>	<u>\$ 20,797</u>

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
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NOTES TO FINANCIAL STATEMENTS
 June 30, 2011 and 2010

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 Assets) in investment accounts that had a carrying amount and fair market value of \$746,830 and \$666,067 at June 30, 2011 and 2010, respectively. These funds have maturities of less than 90 days, and had a weighted average years to maturity of approximately 0.1 and 0.164 at June 30, 2011 and 2010, respectively. No rating information is available for these funds.

The Fund's investments at June 30, 2011 and 2010 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. The Fund currently holds Federal National Mortgage Association (FNMA) Mortgage Backed Securities. The principal on these multi-family residential mortgage pools is guaranteed by FNMA. These securities are not rated.

The Fund's investment policy precludes the Fund from investing in bonds with a credit rating of less than A by Standard & Poor's. As of June 30, the Fund's investments in debt securities (other than U.S. Treasuries) were rated as follows:

<u>Standard & Poor's Rating</u>	<u>2011 Fair Market Value</u>	<u>Standard & Poor's Rating</u>	<u>2010 Fair Market Value</u>
AAA	\$ 500,134	AAA	\$ 405,768
AA+	30,821	AA+	31,399
AA	45,976	A	79,802
A	79,972	Not rated	42,060
Not rated	<u>20,792</u>	Total	<u>\$ 559,029</u>
Total	<u>\$ 677,695</u>		

Interest Rate Risk: Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The IMSA 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 not exposed to foreign currency risk at June 30, 2011 or June 30, 2010. The Fund's investment policy includes limitation on investment types that reduces the Fund's exposure to foreign currency risk.

STATE OF ILLINOIS
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 (A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011 and 2010

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

2. Investments (Continued)

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

	<u>2011</u>	<u>2010</u>
Net realized gains (losses) on disposition of investments	\$ 218,752	\$ 19,266
Net unrealized gains (losses)	<u>443,691</u>	<u>230,423</u>
Total net gains (losses) on investments	<u>\$ 662,443</u>	<u>\$ 249,689</u>

NOTE D – PLEDGES RECEIVABLE

Outstanding pledges are reflected in the Statement of Net Assets 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, 2011 and 2010, pledges receivable were \$1,101,095 and \$52,262, respectively. At June 30, 2011 and 2010, all pledges receivable were classified as either short-term or long term. A \$1,000,000 five year pledge was received in the fiscal year 2011 and a discount of \$39,000 was calculated in order to conservatively present the pledges receivable at their net present value. Pledges are recorded net of the allowance for doubtful accounts of \$5,729 and -0- as of June 30, 2011 and 2010, respectively.

NOTE E - SPECIAL EVENTS

Special events are stated net of costs of direct benefits to donors. For the year ended June 30, 2011, special events netted to (\$4,764). For the years ended June 30, 2011 and 2010, the results of the events were as follows:

	<u>2011</u>	<u>2010</u>
Special Event Sponsorships	\$ 14,050	\$ -
Special Event Revenue	18,070	680
Special Event Direct Expense	<u>(36,884)</u>	<u>-</u>
Net Total	<u>\$ (4,764)</u>	<u>\$ 680</u>

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE F – RELATED PARTY TRANSACTIONS

Effective August 29, 1996, the Fund entered into an agreement with the Illinois Mathematics and Science Academy (Academy), which specifies the relationship between the two organizations. This agreement states that the Fund is a separate corporate entity established primarily for the purpose of benefiting, performing the functions of, and carrying out certain charitable, educational, literary and scientific purposes of the Academy, and to assist the Academy in achieving and furthering its educational, research, and service goals. The Fund has agreed to provide financial support to the Academy (both directly and indirectly) and in exchange, the Academy has agreed to provide office space, utilities, 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 year 2011 and 2010, total program support provided to the Academy by the Fund was \$836,585 and \$1,029,230, respectively. The total costs incurred by the Academy for the Fund were approximately \$269,600 and \$259,441, respectively.

At June 30, 2011 and 2010, accounts receivable due from the Academy were \$81,065 and \$62,803, respectively.

At June 30, 2011 and 2010, contribution advances of \$311,810 and \$156,708, respectively had been paid to the Academy but were deferred to the following year.

Other Related Parties

The Fund recognized contribution revenue from members of the Fund Board of Trustees and the Academy Board of Trustees and those members' affiliated corporations and foundations in the amount of \$54,360 and \$56,429, during the years ended June 30, 2011 and 2010, respectively.

NOTE G – CONTINGENCIES – GRANTS

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Fund expects such amounts, if any, to be immaterial.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE H – 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, 2011 and 2010.

NOTE I – ENDOWMENTS

The Fund's Board established a quasi-endowment fund during the year ended June 30, 2008. This 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. The balance of this fund as of June 30, 2011 and 2010 respectively was \$2,255,559 and \$887,110. The principal of the endowment will not be expended, and is reported on the Statements of Net Assets as "Unrestricted Net Assets".

Two additional endowment funds were established pursuant to donors' gifts during the year ended June 30, 2007. These endowments require the principal to remain intact and are reported on the Statements of Net Assets as "Restricted Net Assets, Nonexpendable".

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. The only authorized disbursements for the years ended June 30, 2011 and 2010 were for investment management fees. Any portion of the annual, distributable funds not distributed in any given year will be retained in the Endowment Fund in a pool of funds spendable in future years. Net appreciation of donor restricted endowments was \$18,417 and \$0 as of June 30, 2011 and 2010, respectively.

All of the 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. The Fund intends to retain accumulated earnings generated by the quasi-endowment fund until the principal and accumulated earnings reach \$5,000,000 at fiscal year-end. Once the quasi-endowment fund attains this goal, an annual spending amount will be calculated for the endowment for the following fiscal year.

NOTE J – SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the Fund's investments have experience some declines in market value due to market volatility.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
For the Years Ended June 30, 2011 and 2010

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis
 - Analysis of Significant Variations in Revenue
 - Analysis of Significant Variations in Expenses

- Analysis of Operations
 - Agency Functions and Planning Program
 - Average Number of Employees
 - Supporting Service Expenses
 - Schedule of Support Provided by the IMSA Fund to the Academy
 - Schedule of Services Provided by the Academy to IMSA Fund

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE
 For the Years Ended June 30, 2011 and 2010

Explanations for variances of \$40,000 and 5% have been provided below.

	Year Ending June 30,		
	2011	2010	2009
Contributions	\$ 2,077,145	\$ 885,010	\$ 901,018
Operating Agreement with Academy	269,600	259,441	263,964
In-Kind Contributions of Goods and Equipment	72,175	860	6,461
Other Operating Revenues	1,985	351	-
Program Fees	16,099	19,470	3,495
Special Events (Net)	(4,764)	680	(7,071)
Contributions to Permanent Endowments	27,000	6,125	-
Interest and Dividend Income	69,942	75,332	91,199
Gain (Loss) on Investments	662,443	249,689	(637,452)
Total	<u>\$ 3,191,625</u>	<u>\$ 1,496,958</u>	<u>\$ 621,614</u>

Contributions – The increase from fiscal year 2010 to fiscal year 2011 was due to increased fundraising campaign efforts of the development staff which lead to a \$1,000,000 pledge from a major contributor in fiscal year 2011. Additional grant contributions for restricted purposes also contributed to the increase in fiscal year 2011.

In-Kind Contributions – In fiscal year 2011 the Fund received large donations of goods and equipment. No significant donations of goods and equipment occurred during fiscal year 2010 or fiscal year 2009.

Gain (Loss) on Investments – The downturn in the economy that started in fiscal year 2008 and continued in fiscal year 2009 resulted in significant losses on investments. The upturn in the economy that started in late fiscal year 2009 and continued into fiscal years 2010 and 2011 resulted in increased gains on the investments.

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES
 For the Years Ended June 30, 2011 and 2010

Explanations for variances of \$40,000 and 5% have been provided below.

	Year Ending June 30,		
	2011	2010	2009
Operating Expenses			
Academy Support	\$ 836,585	\$ 1,029,230	\$ 598,390
Management and General	99,910	90,984	143,402
Fundraising	54,412	72,938	99,292
Operating Agreement with Academy	269,600	259,441	263,964
Total Expenses	<u>\$ 1,260,507</u>	<u>\$ 1,452,593</u>	<u>\$ 1,105,048</u>

Academy Support – The decrease in fiscal year 2011 Academy support was a result of the Academy not fully spending awards provided and resulted in a \$155,102 increase in Contribution Advances on the Statement of Net Assets. In fiscal year 2010, the Fund made an effort to maximize contributions to the Academy as the Academy faced a decline in funding from other sources.

Management and General – The decrease from fiscal year 2009 to fiscal year 2010 was the result of cost-cutting measures and reduced consulting fees.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
ANALYSIS OF OPERATIONS
For the Years Ended June 30, 2011 and 2010

AGENCY FUNCTIONS

The IMSA Fund for Advancement of Education (Fund) was incorporated February 6, 1986 as an Illinois not-for-profit corporation. The Fund serves as the primary source of private funding for the Illinois Mathematics and Science Academy (Academy).

The primary functions of the Fund are to raise funds from the private sector, oversee the management and distribution of the Fund's assets and to enrich the Academy's education programs. Private sector contributions also provide resources to enhance the Academy's continuing development as an educational laboratory for schools and teachers throughout Illinois.

AGENCY PLANNING PROGRAM

The organization maintains a formal planning program, which is documented in the Fund's Board records. The Board of Directors of the Fund and the relevant Board Committees actively plan fundraising programs in response to the Academy's request for instructional programs and development or enhancement of the Academy's facilities.

Cathy Veal is the current Vice President of Strategy and Advancement of the Illinois Mathematics and Science Academy. Thomas G. Walter is the current Secretary of the Fund.

The Fund is located at:

1500 W. Sullivan Road
Aurora, IL 60506-1000

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
ANALYSIS OF OPERATIONS
 For the Years Ended June 30, 2011 and 2010

AVERAGE NUMBER OF EMPLOYEES

	Year Ending June 30,		
	2011	2010	2009
Average number of employees	-0-	-0-	-0-

The administration of all Fund activity is performed by employees of the Illinois Mathematics and Science Academy (Academy). An agreement between the two organizations indicates that 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 purpose in providing financial support to the Academy.

SUPPORTING SERVICE EXPENSES

Supporting service expenses represent those amounts incurred by the Fund to support management and general (operational) activities and fundraising activities.

	Year Ending June 30,		
	2011	2010	2009
Percent of total expenses represented by supporting services	12.24%	11.28%	21.96%
Percentage Calculation:			
Management and General	\$ 99,910	\$ 90,984	\$ 143,402
Fundraising	54,412	72,938	99,292
Total Support	<u>\$ 154,322</u>	<u>\$ 163,922</u>	<u>\$ 242,694</u>
 Total Expenses	 <u>\$ 1,260,507</u>	 <u>\$ 1,452,593</u>	 <u>\$ 1,105,048</u>

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
ANALYSIS OF OPERATIONS
 For the Years Ended June 30, 2011 and 2010

SUMMARY OF ACADEMY AND IMSA FUND CONTRACT AGREEMENT

During fiscal years 2011 and 2010, the Academy engaged the Fund, under contract, to provide fundraising services. As required by the contract, the Fund must provide direct or indirect program support that exceeds the services provided by the Academy in order to have no reimbursement of costs to occur.

SCHEDULE OF SUPPORT PROVIDED BY THE FUND TO THE ACADEMY

	Year Ending June 30,		
	2011	2010	2009
Support provided:			
Academy (includes direct payments)	\$ 764,410	\$ 1,028,370	\$ 591,929
Equipment Donations to the Academy	72,175	860	6,461
Total Funds Provided to the Academy	\$ 836,585	\$ 1,029,230	\$ 598,390

SCHEDULE OF SERVICES PROVIDED BY THE ACADEMY TO THE FUND

	Year Ending June 30,		
	2011	2010	2009
Services provided:			
Personal Services	\$ 226,940	\$ 217,819	\$ 213,040
Rent	27,302	25,802	25,052
Utilities	2,986	2,920	1,642
Equipment/Furniture Rental	5,244	4,630	4,126
Telephone Services	2,558	2,725	3,640
Maintenance Costs	3,438	3,236	2,275
Financial System Costs	1,132	2,309	14,189
Total	\$ 269,600	\$ 259,441	\$ 263,964

Note: The Fund conducts an annual review of accounting allocations for non-cash resources provided by the Academy in order to better identify resources.