

**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, 2013 AND 2012**

**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, 2013 and 2012

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AGENCY OFFICIALS

Vice President of Strategy and Advancement - Illinois Mathematics and Science Academy	Ms. Catherine C. Veal
Executive Director of Development – Illinois Mathematics and Science Academy (07/1/2011 to 7/29/2011) (11/3/2011 to Current)	Ms. Jennifer Spuehler Mr. Paul F. Milano
Director of Operations for Advancement – Illinois Mathematics Science Academy (to 7/31/2012)	Mr. Thomas Walter

BOARD OF DIRECTORS

Officers

Chairman (1/1/2011 to 6/5/2012)	Dr. Stephanie Pace Marshall
President	Mr. John Hoesley
Vice President of Fund Board	Ms. Pamela Blackwell
Chair of Finance (to 11/30/2011) (12/1/2011 to 6/30/2012) (7/1/2012 to Current)	Mr. Herbert B. Knight Mr. Jordan Koss Mr. Michael Suh
Chair of Governance (to 2/3/2012) (3/19/2012 to Current)	Mr. Fidel Marquez, Jr. Ms. Pamela Blackwell
Treasurer (to 11/30/2011) (12/1/2011 to 6/31/2012) (7/1/2012 to Current)	Mr. Herbert B. Knight Mr. Jordan Koss Mr. Michael Suh
Secretary (to 7/31/2012) (7/31/2012 to Current)	Mr. Thomas Walter Mr. Paul Milano

Directors

Ms. Maureen E. Sullivan (to 6/30/2013)	Dr. Stephanie Pace Marshall
Mr. Vasu Kulkarni	Mr. Michael Sloan (to 2/24/2012)
Mr. Martin J. DiMarzio (to 6/30/2013)	Ms. Chelsy A. Hopper (to 6/5/2012)
Mr. Herbert B. Knight (to 11/30/2011)	Mr. Fidel Marquez, Jr. (to 2/6/2012)
Ms. Vanessa C. Gage (to 6/30/2013)	Mr. Glenn Rippie (2/20/2013 to Current)
Mr. John Hoesley	Ms. Pamela Blackwell
Mr. Jordan Koss (to 2/21/2013)	Mr. Gregory K. Jones (to 6/5/2012)
Mr. Michael Suh (10/3/2011 to Current)	Mr. Moises Goldman (2/2/2012 to 3/30/2012)
Mr. Ross Hemphill (3/19/2012 to Current)	Mr. Kapil Chaudhary (2/2/2012 to Current)
Mr. Scott Crawford (2/20/13 to Current)	Mr. Dan Mueth (2/2/2012 to Current)
Mr. Joseph Nolan (2/20/2013 to Current)	Mr. Jacob Plummer (2/20/2013 to Current)

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

November 26, 2013

Borschnack, 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, 2013. Based on this evaluation, we assert that during the years ended June 30, 2013 and June 30, 2012, 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.

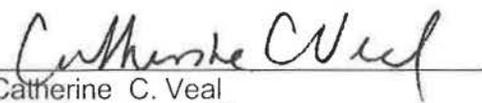
C. The IMSA Fund for Advancement of Education has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

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


Catherine C. Veal
President, IMSA


Paul Milano
Executive Director

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
 FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
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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 and on Internal Control Over Compliance 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	<u>Report</u>	<u>Reports</u>
Findings	0	1
Repeated findings	0	1
Prior recommendations implemented or not repeated	1	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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CURRENT FINDINGS

There were no findings reported for the current examination period.

PRIOR FINDINGS NOT REPEATED

A	11	Financial Statement Reclassifications
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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, 2013 and 2012

EXIT CONFERENCE

The IMSA Fund for Advancement of Education waived holding an exit conference in a communication from Susan Albrecht dated November 22, 2013.

**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE**

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, 2013. 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.

Our examination was conducted 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, 2013.

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 to determine the examination procedures that are appropriate in the circumstances 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 the IMSA Fund for Advancement of Education's 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 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and the management and 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.

Borschnack, Pelletier & Co.

November 26, 2013

**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 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the IMSA Fund for Advancement of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise IMSA Fund for Advancement of Education's basic financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the IMSA Fund for Advancement of Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IMSA Fund for Advancement of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 26, 2013

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
CURRENT FINDINGS
For the Years Ended June 30, 2013 and 2012

There were no findings reported for the current examination period.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
PRIOR FINDINGS NOT REPEATED
For the Years Ended June 30, 2013 and 2012

A FINDING: Financial Statements Errors

The IMSA Fund for Advancement of Education (Fund) did not initially properly report certain financial statement amounts in its June 30, 2012 financial statements. (Finding Code Nos. 12-1, 11-1, 10-1)

Status – Not repeated

Our testing did not identify material financial statement errors.

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, 2013 and 2012

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, 2013 and 2012 was performed by Borschnack, Pelletier & Co.

Based on their audits, the auditors expressed unmodified opinions on the Fund's basic financial statements as of and for the years ended June 30, 2013 and 2012.



Certified Public Accountants & Consultants

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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

And

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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the IMSA Fund for Advancement of Education, a component unit of the State of Illinois, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise IMSA Fund for Advancement of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

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, 2013 and 2012, and the respective changes in financial position and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 16-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit for the years ended June 30, 2013 and 2012 were conducted for the purpose of forming opinions on the financial statements that collectively comprise the IMSA Fund for Advancement of Education's basic financial statements. The accompanying supplementary information in the State Compliance Schedules 1 through 3 and the Analysis of Operations Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information for the year ended June 30, 2013 in State Compliance Schedules 1 through 3 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the IMSA Fund for Advancement of Education. Such information is the responsibility of management and was derived from and

relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2013 in State Compliance Schedules 1 through 3 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2013 in State Compliance Schedules 1 through 3 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the IMSA Fund for Advancement of Education's basic financial statements as of and for the years ended June 30, 2012 and June 30, 2011 (not presented herein), and have issued our reports thereon dated December 18, 2012 and December 12, 2011, respectively, which contained unmodified opinions on the respective financial statements of the business-type activities. The accompanying supplementary information for the years ended June 30, 2012 and June 30, 2011 in State Compliance Schedules 1 through 3 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2012 and June 30, 2011 financial statements. The accompanying supplementary information for the years ended June 30, 2012 and June 30, 2011 in State Compliance Schedules 1 through 3 has been subjected to the auditing procedures applied in the audits of the June 30, 2012 and June 30, 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the years ended June 30, 2012 and June 30, 2011 in State Compliance Schedules 1 through 3 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IMSA Fund for Advancement of Education's internal control over financial reporting and compliance.



November 26, 2013

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, 2013 and 2012

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>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	\$ 774,852	\$ 966,066
Investments	4,112,117	3,413,259
Accounts Receivable	103,669	105,562
Contribution Advances	91,928	246,795
Prepaid Expenses	5,881	16,324
Pledges Receivable, Net	<u>995,755</u>	<u>960,690</u>
TOTAL ASSETS	<u>\$ 6,084,202</u>	<u>\$ 5,708,696</u>
LIABILITIES		
Accounts Payable	\$ 15,146	\$ 652
Unearned Revenue	<u>8,662</u>	<u>24,935</u>
TOTAL LIABILITIES	<u>\$ 23,808</u>	<u>\$ 25,587</u>
NET POSITION		
Unrestricted	\$ 4,760,029	\$ 4,146,341
Restricted, Expendable	1,167,875	1,414,363
Restricted, Nonexpendable	<u>132,490</u>	<u>122,405</u>
TOTAL NET POSITION	<u>\$ 6,060,394</u>	<u>\$ 5,683,109</u>

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2013 and 2012

Fiscal year ended June 30, 2013 ended with an increase in net position of \$377,285. This change was influenced by significant contributions received in fiscal year 2013. Overall cash and investments increased slightly, while the change in liabilities recorded in 2013 remained minor overall.

Pledges Receivable

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

Contribution Advances

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

Net Position

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Years Ended June 30, 2013 and 2012

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, 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 POSITION**
 For the Years Ended June 30,

	2013	2012
OPERATING REVENUES		
Contributions	\$ 1,207,972	\$ 988,111
Operating Agreement with Academy	274,739	254,844
Other Operating Revenues	15,415	88,543
TOTAL OPERATING REVENUES	1,498,126	1,331,498
OPERATING EXPENSES		
Academy Support	975,089	1,057,255
Management and General	73,958	80,343
Fundraising	67,836	42,174
Operating Agreement with Academy	274,739	254,844
TOTAL OPERATING EXPENSES	1,391,622	1,434,616
OPERATING INCOME (LOSS)	106,504	(103,118)
NON-OPERATING REVENUES AND EXPENSES	260,696	44,446
CONTRIBUTIONS TO PERMANENT ENDOWMENTS	10,085	50,280
CHANGE IN NET POSITION	377,285	(8,392)
NET POSITION – BEGINNING OF YEAR	5,683,109	5,691,501
NET POSITION – END OF YEAR	\$ 6,060,394	\$ 5,683,109

Operating Revenue

The total Operating Revenue of the Fund increased 13% from fiscal years 2012 to 2013. This was primarily the result of two significant contributions of \$100,000 each that were received in 2013.

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, 2013 and 2012

The Fund's investment income increased during the past fiscal year. The Fund recorded interest and dividends income of \$58,011 and net gains on investments of \$202,686 during fiscal year 2013, as compared to interest and dividend income of \$64,755 and net losses on investments of \$20,309 for fiscal year 2012.

Operating Expenses

Academy Support

The Fund recognized \$975,089 and \$1,057,255 in fiscal years 2013 and 2012, respectively, in direct support to the Academy. The Fund made an effort to maximize giving as the Academy faced declines in funding from other sources.

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

Fundraising

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

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

The fiscal year 2013 Fundraising expenses increased 61% compared to fiscal year 2012. During fiscal year 2013, the Fund began a telemarketing campaign which caused this significant increase.

Management and General

Management and general expenses decreased from \$80,343 in fiscal year 2012 to \$73,958 in fiscal year 2013.

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

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Years Ended June 30, 2013 and 2012

Change in Net Position

Net Position increased by \$377,285 over the past fiscal year. During fiscal year 2013, increases in contributions and improved budgetary management allowed the Fund to operate at a net gain versus fiscal year 2012's net loss. The fund will continue to use existing fund balances to support Academy projects.

Statement of Cash Flows

The Fund uses the Statement of Cash Flows to identify cash provided by or used in operating activities, investing and financing activities. The Fund had a \$191,214 decrease in cash equivalents during fiscal year 2013.

CONDENSED STATEMENTS OF CASH FLOWS

For the Years Ended June 30,

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Supporters and Grantors	\$ 1,170,592	\$ 1,268,091
Cash Paid to Grantee, Suppliers and Employees	(933,729)	(1,196,242)
	236,863	71,849
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	58,011	64,755
Cash Payment for the Purchase of Investments	(2,471,158)	(2,267,722)
Cash Proceeds from Sale of Investments	1,974,985	2,127,735
	(438,162)	(75,232)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received for Permanent Endowments	10,085	50,280
	10,085	50,280
NET INCREASE IN CASH AND CASH EQUIVALENTS	(191,214)	46,897
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	966,066	919,169
END OF YEAR	\$ 774,852	\$ 966,066

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2013 and 2012

Economic Outlook

The Fund continues to invest in various investment securities. During the current fiscal year, the overall economy and financial markets improved, whereas in the prior year the economy remained stable. The future economic outlook at year-end has improved during fiscal year 2013. However, investments were exposed to various risks such as interest rate, market and credit risks.

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

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
STATEMENTS OF NET POSITION
 As of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 774,852	\$ 966,066
Investments	3,979,627	3,290,854
Accounts Receivable	103,669	105,562
Contribution Advances	91,928	246,795
Prepaid Expenses	5,881	16,324
Pledges Receivable, Net	324,215	151,855
Total Current Assets	<u>5,280,172</u>	<u>4,777,456</u>
Non-Current Assets		
Pledges Receivable, Net	671,540	808,835
Endowment Investments	132,490	122,405
Total Non-Current Assets	<u>804,030</u>	<u>931,240</u>
TOTAL ASSETS	<u>6,084,202</u>	<u>5,708,696</u>
LIABILITIES		
Accounts Payable	15,146	652
Unearned Revenue	8,662	24,935
TOTAL LIABILITIES	<u>23,808</u>	<u>25,587</u>
NET POSITION		
Unrestricted	4,760,029	4,146,341
Restricted, Expendable	1,167,875	1,414,363
Restricted, Non-Expendable	132,490	122,405
TOTAL NET POSITION	<u>\$ 6,060,394</u>	<u>\$ 5,683,109</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 POSITION
 For the Years Ended June 30, 2013 and 2012

	2013	2012
	<u> </u>	<u> </u>
Operating Revenues		
Contributions	\$ 1,207,972	\$ 988,111
Operating Agreement with Academy	274,739	254,844
Program Fees	13,740	12,038
In-Kind Contributions of Goods and Equipment	1,675	24,315
Special Events (Net)	-	51,190
Other Operating Revenues	-	1,000
Total Revenues	<u>1,498,126</u>	<u>1,331,498</u>
 Operating Expenses		
Academy Support	975,089	1,057,255
Management and General	73,958	80,343
Fundraising	67,836	42,174
Operating Agreement with Academy	274,739	254,844
Total Expenses	<u>1,391,622</u>	<u>1,434,616</u>
 Operating Income (Loss)	<u>106,504</u>	<u>(103,118)</u>
 Non-Operating Revenues and Expenses		
Interest and Dividend Income	58,011	64,755
Net Gains (Losses) on Investments	202,685	(20,309)
Net Non-Operating Revenue (Expenses)	<u>260,696</u>	<u>44,446</u>
 Income (Loss) Before Other Revenues	<u>367,200</u>	<u>(58,672)</u>
 Contributions to Permanent Endowments	10,085	50,280
Total Other Revenues	<u>10,085</u>	<u>50,280</u>
 CHANGE IN NET POSITION	377,285	(8,392)
 NET POSITION - BEGINNING OF YEAR	<u>5,683,109</u>	<u>5,691,501</u>
 NET POSITION - END OF YEAR	<u><u>\$ 6,060,394</u></u>	<u><u>\$ 5,683,109</u></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, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Supporters and Grantors	\$ 1,170,592	\$ 1,268,091
Cash Paid to Grantee, Suppliers and Employees	(933,729)	(1,196,242)
NET CASH PROVIDED BY OPERATING ACTIVITIES	236,863	71,849
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	58,011	64,755
Cash Payment for the Purchase of Investments	(2,471,158)	(2,267,722)
Cash Proceeds from Sale of Investments	1,974,985	2,127,735
NET CASH USED IN INVESTING ACTIVITIES	(438,162)	(75,232)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received for Permanent Endowments	10,085	50,280
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	10,085	50,280
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(191,214)	46,897
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	966,066	919,169
END OF YEAR	\$ 774,852	\$ 966,066
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 106,504	\$ (103,118)
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Provided by Operating Activities:		
Changes in Certain Assets and Liabilities:		
Accounts Receivable	1,893	(24,497)
Contribution Advances	154,867	65,015
Prepaid Expenses	10,443	(11,461)
Pledges Receivable	(35,065)	140,405
Accounts Payable	14,494	(15,786)
Unearned Revenue	(16,273)	21,291
Total Adjustments	130,359	174,967
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 236,863	\$ 71,849

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, 2013 and 2012

NOTE A – ORGANIZATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Financial Reporting Entity

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

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

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

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Financial Reporting Entity (Continued)

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

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

The Fund has adopted GASB Statement No. 61, *Financial Reporting Entity: Omnibus an amendment of GASB Statement Nos. 14 and 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the year ended June 30, 2013.

4. Cash and Cash Equivalents

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

5. Investments

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

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IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Position

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

Restricted – this consists of assets less liabilities 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 assets less liabilities that do not meet the definition of "restricted".

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.

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013 and 2012

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>2013</u>	<u>2012</u>
Carrying amount of Deposits	\$ 628,851	\$ 573,398
Carrying amount of Investments	3,782,030	3,009,655
Money market funds	475,888	796,072
Petty cash	200	200
Total	<u>\$ 4,886,969</u>	<u>\$ 4,379,325</u>
	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 774,852	\$ 966,066
Investments	3,979,627	3,290,854
Endowment Investments	132,490	122,405
Total	<u>\$ 4,886,969</u>	<u>\$ 4,379,325</u>

1. Deposits

Deposits with financial institutions had carrying amounts of \$628,851 and \$573,398 and bank balances of \$608,409 and \$561,314 at June 30, 2013 and 2012, 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.

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.

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013 and 2012

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

2. Investments (Continued)

Investments at June 30, 2013 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	\$ 40,412	\$ -	\$ 40,412	\$ -	\$ -	\$ -
Corporate Equity	3,025,496	3,025,496	-	-	-	-
U.S. Treasuries	69,687	-	25,352	44,335	-	-
U.S. Agency Obligations	422,033	-	41,954	221,604	158,475	-
Unit Trusts	106,204	-	-	35,252	67,542	3,410
Municipal Debt Securities	<u>118,198</u>	-	-	-	-	<u>118,198</u>
Total	<u>\$3,782,030</u>	<u>\$3,025,496</u>	<u>\$ 107,718</u>	<u>\$ 301,191</u>	<u>\$ 226,017</u>	<u>\$ 121,608</u>

Investments at June 30, 2012 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	\$ 77,822	\$ -	\$ 35,704	\$ 42,118	\$ -	\$ -
Corporate Equity	2,305,657	2,305,657	-	-	-	-
U.S. Treasuries	46,015	-	-	46,015	-	-
U.S. Agency Obligations	441,732	-	-	209,674	232,058	-
FNMA Mortgage Backed Securities	10,186	-	10,186	-	-	-
Municipal Debt Securities	<u>128,243</u>	-	-	-	-	<u>128,243</u>
Total	<u>\$3,009,655</u>	<u>\$2,305,657</u>	<u>\$ 45,890</u>	<u>\$ 297,807</u>	<u>\$ 232,058</u>	<u>\$ 128,243</u>

In addition to the above investments, the Fund maintained money market funds (reported as cash equivalents on the statements of net position) in investment accounts that had a carrying amount and fair market value of \$475,888 and \$796,072 at June 30, 2013 and 2012, respectively. These funds have maturities of less than 90 days, and had a weighted average years to maturity of approximately 0.15 and 0.11 at June 30, 2013 and 2012, respectively. No rating information is available for these funds.

The Fund's investments at June 30, 2013 and 2012 include uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Fund's name.

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013 and 2012

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. During 2012, the Fund held 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 states that it will avoid direct investment 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>2013 Fair Market Value</u>	<u>Standard & Poor's Rating</u>	<u>2012 Fair Market Value</u>
AAA	\$ 38,971	AAA	\$ 43,247
AA+	440,341	AA+	459,508
AA	50,884	AA	56,864
A-	40,412	A	77,822
AAf	35,252	Not rated	<u>20,542</u>
Af	67,542	Total	<u>\$ 657,983</u>
BBB+f	3,410		
Not rated	<u>10,035</u>		
Total	<u>\$ 686,847</u>		

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

Foreign currency risk: The Fund was not exposed to foreign currency risk at June 30, 2013 or June 30, 2012. The Fund's investment policy includes limitation on investment types that reduces the Fund's exposure to foreign currency risk.

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

	<u>2013</u>	<u>2012</u>
Net realized gains (losses) on disposition of investments	\$ 153,737	\$ 250,451
Net unrealized gains (losses)	<u>48,948</u>	<u>(270,760)</u>
Total net gains (losses) on investments	<u>\$ 202,685</u>	<u>\$ (20,309)</u>

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013 and 2012

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, 2013 and 2012, pledges receivable were \$995,755 and \$960,690, respectively. At June 30, 2013 and 2012, all pledges receivable were classified as either short-term or long term. Long term pledges included discounts of \$23,960 and \$36,746 as of June 30, 2013 and 2012, respectively. The pledges are reported net of an allowance for doubtful accounts of \$5,124 and \$5,012 as of June 30, 2013 and 2012, respectively.

NOTE E - SPECIAL EVENTS

Special events are stated net of costs of direct benefits to donors. For the year ended June 30, 2013, no special events were held. For the years ended June 30, 2013 and 2012, the results of the events were as follows:

	<u>2013</u>	<u>2012</u>
Special Event Revenue and Sponsorships	\$ -	\$ 129,743
Special Event Direct Expense	<u>-</u>	<u>(78,553)</u>
Net Total	<u>\$ -</u>	<u>\$ 51,190</u>

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, 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

STATE OF ILLINOIS
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NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE F – RELATED PARTY TRANSACTIONS (Continued)

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 2013 and 2012, total program support provided to the Academy by the Fund was \$975,089 and \$1,057,255, respectively. The total costs incurred by the Academy for the Fund were approximately \$274,739 and \$254,844, respectively.

At June 30, 2013 and 2012, accounts receivable due from the Academy were \$103,669 and \$105,562, respectively.

At June 30, 2013 and 2012, contribution advances of \$91,928 and \$246,795, respectively had been paid to the Academy but were deferred to the following year.

Other Related Parties

The Fund recognized contribution revenue from members of the Fund's Board of Directors and the Academy's Board of Trustees and those members' affiliated corporations and foundations in the amount of \$34,110 and \$54,644, during the years ended June 30, 2013 and 2012, 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.

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. IMSA 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, 2013 and 2012.

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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, 2013 and 2012 respectively was \$2,906,564 and \$2,365,746. The principal of the endowment will not be expended, and is reported on the Statements of Net Position as "Unrestricted".

Two permanent endowment funds were established pursuant to donors' gifts during the year ended June 30, 2007. Two additional permanent endowment funds were established during the fiscal year ended June 30, 2012. These endowments require the principal to remain intact and are reported on the Statements of Net Position as "Restricted, 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, 2013 and 2012 were designated 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 \$26,590 and \$17,028 as of June 30, 2013 and 2012, 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 unless earlier earnings distributions are otherwise expressly requested by a specific donor of the endowed fund (or the Executive Committee of the Fund as allowed by a donor). No earnings will be distributed until 12 months after an endowed fund reaches \$20,000. Once the quasi-endowment fund attains this goal, an annual spending draw will be calculated for the endowment for the following fiscal year.

STATE OF ILLINOIS
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SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
For the Years Ended June 30, 2013 and 2012

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
 - Schedule of Services Provided by the Academy to the Fund

- Analysis of Operations
 - Agency Functions and Planning Program (Unaudited)
 - Average Number of Employees (Unaudited)

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 as a whole from which it has been derived. The accountants' report also states the Analysis of Operations section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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, 2013 and 2012

SCHEDULE 1

Explanations for variances of \$50,000 and 5% have been provided below.

	Year Ending June 30,		
	2013	2012	2011
Contributions	\$ 1,207,972	\$ 988,111	\$ 2,077,145
Operating Agreement with Academy	274,739	254,844	269,600
In-Kind Contributions of Goods and Equipment	1,675	24,315	72,175
Other Operating Revenues	-	1,000	1,985
Program Fees	13,740	12,038	16,099
Special Events (Net)	-	51,190	(4,764)
Contributions to Permanent Endowments	10,085	50,280	27,000
Interest and Dividend Income	58,011	64,755	69,942
Gain (Loss) on Investments	202,685	(20,309)	662,443
Total	<u>\$ 1,768,907</u>	<u>\$ 1,426,224</u>	<u>\$ 3,191,625</u>

Contributions – The increase from fiscal year 2012 to fiscal year 2013 was due to increased fundraising campaign efforts of the development staff which lead to two separate \$100,000 contributions in fiscal year 2013. The decrease from fiscal year 2011 to 2012 was due to the receipt of a \$1,000,000 pledge in fiscal year 2011 that was not repeated in fiscal year 2012.

Special Events – No significant special events were held in fiscal years 2013 and 2011. However, during fiscal year 2012 the Fund held a 25th anniversary event which generated revenues in excess of expenses of \$51,190.

Gain (Loss) on Investments – During fiscal year 2011 the economy was recovering and investments were earning good returns. During fiscal year 2012 the economy remained relatively flat and the Fund experienced a net loss on the return on investments. During fiscal year 2013 the economy began to improve again resulting in increased gains on 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, 2013, and 2012

SCHEDULE 2

Explanations for variances of \$50,000 and 5% have been provided below.

	Year Ending June 30,		
	2013	2012	2011
Operating Expenses			
Academy Support:			
Direct payments	\$ 973,414	\$ 1,032,940	\$ 764,410
Equipment donations	1,675	24,315	72,175
Management and General	73,958	80,343	99,910
Fundraising	67,836	42,174	54,412
Operating Agreement with Academy	274,739	254,844	269,600
Total Expenses	\$ 1,391,622	\$ 1,434,616	\$ 1,260,507

Academy Support – The increase from fiscal year 2011 to 2012 in Academy Support was a result of the Fund making an effort to maximize contributions to the Academy as the Academy faced a decline in funding from other sources. During fiscal year 2013 the Fund was not able to provide the same level of support that it did in the previous fiscal year.

STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
SCHEDULE OF SERVICES PROVIDED BY THE ACADEMY TO THE FUND
 For the Years Ended June 30, 2013, 2012 and 2011

SCHEDULE 3

SCHEDULE OF SERVICES PROVIDED BY THE ACADEMY TO THE FUND

During fiscal years 2013 and 2012, 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. The following table summarizes services provided by the Academy to the Fund.

	Year Ending June 30,		
	2013	2012	2011
Services provided:			
Personal Services	\$ 224,336	\$ 198,678	\$ 226,940
Rent	24,683	27,591	27,302
Utilities	4,931	6,089	2,986
Equipment/Furniture Rental	8,042	11,610	5,244
Telephone Services	3,554	2,933	2,558
Maintenance Costs	7,979	6,729	3,438
Financial System Costs	1,214	1,214	1,132
Total	<u>\$ 274,739</u>	<u>\$ 254,844</u>	<u>\$ 269,600</u>

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

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, 2013 and 2012

AGENCY FUNCTIONS (Unaudited)

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.

Catherine Veal is the current Vice President of Strategy and Advancement of the Illinois Mathematics and Science Academy. Paul Milano 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, 2013 and 2012

AVERAGE NUMBER OF EMPLOYEES (Unaudited)

	Year Ending June 30,		
	2013	2012	2011
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.