

**WASHINGTON, PITTMAN & McKEEVER, LLC**

*CERTIFIED PUBLIC ACCOUNTANTS AND*

*MANAGEMENT CONSULTANTS*

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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, 2017 AND 2016**

**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, 2017 and 2016**

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**AGENCY OFFICIALS**

Executive Director of Development - Illinois Mathematics and Science Academy (6/27/2016 to Current)	Ms. Barbara Graham
Executive Director of Development - Illinois Mathematics and Science Academy (through 11/30/2015)	Mr. Paul Milano
Vice President of External Engagement - Illinois Mathematics and Science Academy (8/10/2015 to 6/15/2017)	Mr. Jeffrey Margolis, Ph D.

**BOARD OF DIRECTORS**

Mr. Anil Ahuja (to 6/30/17)	Mr. Jacob Plummer
Mr. Aziz Asphaphani (to 6/30/17)	Vice President (to 6/30/2017)
Ms. Pamela Blackwell (to 5/17/2016)	Governance Chair (to 6/30/2017)
Mr. Kevin Brookins	President (7/1/2017 to current)
Mr. Yuri Brown-Cruzat (to 9/9/2015)	Executive Chair (7/1/2017 to current)
Ms. Stephanie Carreno (to 3/24/2017)	Mr. Jay Porter (to 2/10/2017)
Secretary (non-voting)	Mr. Glenn Rippie
Mr. Steve Chen (to 6/30/2017)	Vice President (7/1/2017 to current)
Mr. Steve Collens (to 6/30/2017)	Treasurer (7/1/2017 to current)
Mr. Robert Darin	Chair of Finance (7/1/2017 to current)
Dr. Ross Hemphill	Mr. Aalap Shah (to 6/30/2017)
President (to 6/30/2017)	Mr. Michael Suh
Secretary (7/1/2017 to Current)	Treasurer (to 6/30/2017)
Mr. Troy Henikoff	Chair of Finance (to 6/30/2017)
Mr. John Hoesley (to 5/17/2016)	Ms. Kim Taylor (to 12/5/2016)
Ms. Mana Ionescu (to 6/30/2017)	Mr. Richard R. Tung (1/1/2017 to current)
Dr. Cynthia Manfredi (to 11/7/2016)	Mr. Alex Weiner (to 3/31/2016)
Dr. Stephanie Pace Marshall	Mr. Sam Yagan
Mr. Paul Milano (to 11/30/2015)	

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

December 18, 2017

Washington, Pittman & McKeever, LLC  
Certified Public Accountant

819 S. Wabash, Suite 600  
Chicago, IL 60605

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-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2017 and June 30, 2016, 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 public funds of the State 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 public funds of the State 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. State 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 on behalf of the State 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.

Yours truly,

IMSA Fund for Advancement of Education

**SIGNED ORIGINAL ON FILE**

Barbara Graham, Executive Director

**SIGNED ORIGINAL ON FILE**

Susan Albrecht, Accounting Specialist

**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, 2017 and 2016**

**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.

**ACCOUNTANT'S REPORT**

The Independent Accountant's 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>
<u>Findings</u>	<u>Report</u>	<u>Reports</u>
Findings	0	0
Repeated findings	0	0
Repeated recommendation implemented or not repeated	0	0

**EXIT CONFERENCE**

The IMSA Fund for Advancement of Education waived holding an exit conference in a communication from Barbara Graham, Executive Director of Development, dated November 28, 2017.

Responses to the recommendations were provided from Barbara Graham, Executive Director of Development, in a communication dated November 28, 2017.

**WASHINGTON, PITTMAN & McKEEVER, LLC**

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**INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE  
AND ON INTERNAL CONTROL OVER COMPLIANCE**

Honorable Frank J. Mautino  
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, 2017. 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 public funds of the State 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 public funds of the State 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 State 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 on behalf of the State 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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the IMSA Fund for Advancement of Education complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the IMSA Fund for Advancement of Education complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide 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, 2017.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

### **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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**  
**WASHINGTON, PITTMAN & McKEEVER, LLC**

**Chicago, Illinois**  
**December 18, 2017**

**WASHINGTON, PITTMAN & McKEEVER, LLC**

**CERTIFIED PUBLIC ACCOUNTANTS AND**

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

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

And

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

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the IMSA Fund for Advancement of Education, as of and for the year ended June 30, 2017, 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 December 18, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

**SIGNED ORIGINAL ON FILE**

**WASHINGTON, PITTMAN & McKEEVER, LLC**

**Chicago, Illinois  
December 18, 2017**

**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, 2017 and 2016**

**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, 2017 and 2016 was performed by Washington, Pittman & McKeever, LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Fund's basic financial statements for the years ended June 30, 2017 and 2016.

**EXIT CONFERENCE**

The IMSA Fund for Advancement of Education waived holding an exit conference in a communication from Barbara Graham, Executive Director of Development, dated November 28, 2017.

**WASHINGTON, PITTMAN & McKEEVER, LLC**

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

And

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

***Report on the Financial Statements***

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the IMSA Fund for Advancement of Education, a component unit of the State of Illinois, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the IMSA Fund for Advancement of Education's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, for the IMSA Fund for Advancement of Education, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 - 17, 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 was 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 Analysis of Operations Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Analysis of Operations Section has not been subjected to 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 December 18, 2017 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.

**SIGNED ORIGINAL ON FILE**

**WASHINGTON, PITTMAN & McKEEVER, LLC**

**Chicago, Illinois  
December 18, 2017**

**STATE OF ILLINOIS**  
**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(a Component Unit Of The State Of Illinois)**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2017 and 2016**

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>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 995,286	\$ 1,375,217
Investments	7,629,979	7,850,274
Accounts Receivable	122,900	74,677
Contribution Advances	578,646	685,308
Prepaid Expenses	12,422	16,546
Pledges Receivable, Net	<u>107,783</u>	<u>244,636</u>
<b>TOTAL ASSETS</b>	<u>9,447,016</u>	<u>10,246,658</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 18,552	\$ 9,844
Unearned Revenue	<u>2,025</u>	<u>7,775</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 20,577</u>	<u>\$ 17,619</u>
<b>NET POSITION</b>		
Unrestricted	\$ 6,630,083	\$ 5,997,240
Restricted, Expendable	2,662,645	4,098,088
Restricted, Nonexpendable	<u>133,711</u>	<u>133,711</u>
<b>TOTAL NET POSITION</b>	<u>\$ 9,426,439</u>	<u>\$ 10,229,039</u>

**STATE OF ILLINOIS**  
**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
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**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2017 and 2016**

Fiscal year ended June 30, 2017 ended with an decrease in net position of \$802,600. This change was influenced by a significant decrease in contributions in Fiscal Year 2017.

**Pledges Receivable**

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

**Net Position**

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

**STATE OF ILLINOIS**  
**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
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**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2017 and 2016**

**Statement of Revenues, Expenses, and Changes in Net Position**

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

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

For the Years Ended June 30,

	<b>2017</b>	<b>2016</b>
<b>OPERATING REVENUES</b>		
Contributions	940,365	2,512,244
Operating Agreement with Academy	253,004	202,396
Other Operating Revenues	18,307	25,125
<b>TOTAL OPERATING REVENUES</b>	<b>1,211,676</b>	<b>2,739,765</b>
<b>OPERATING EXPENSES</b>		
Academy Support	2,342,640	1,370,901
Management and General	68,614	94,752
Fundraising	59,379	46,608
Operating Agreement with Academy	253,004	202,396
<b>TOTAL OPERATING EXPENSES</b>	<b>2,723,637</b>	<b>1,714,657</b>
<b>OPERATING INCOME</b>	<b>(1,511,961)</b>	<b>1,025,108</b>
<b>NON-OPERATING REVENUES AND EXPENSES</b>	<b>709,361</b>	<b>(46,607)</b>
<b>CHANGE IN NET POSITION</b>	<b>(802,600)</b>	<b>978,501</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>10,229,039</b>	<b>9,250,538</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 9,426,439</b>	<b>\$ 10,229,039</b>

**STATE OF ILLINOIS**  
**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(a Component Unit Of The State Of Illinois)**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2017 and 2016**

**Operating Revenue**

The total Operating Revenue of the Fund decreased 56% from Fiscal Years 2016 to 2017. This was primarily the result of a decrease in the amount of contributions received in Fiscal Year 2017.

The Fund's investment income increased during Fiscal Year 2017. The Fund recorded interest and dividends income of \$179,317 and net gains on investments of \$529,988 during Fiscal Year 2017, as compared to interest and dividend income of \$116,509 and net losses on investments of \$163,116 for Fiscal Year 2016.

**Operating Expenses**

**Academy Support**

The Fund recognized \$2,342,640 and \$1,370,901 in Fiscal Years 2017 and 2016, 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

The Fiscal Year 2017 Fundraising expenses increased 27% compared to Fiscal Year 2016. During Fiscal Year 2017, the Fund expended more on consulting costs.

**Management and General**

Management and general expenses decreased from \$94,752 in Fiscal Year 2016 to \$68,614 in Fiscal Year 2017.

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**  
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**(a Component Unit Of The State Of Illinois)**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2017 and 2016**

**Change in Net Position**

Net Position decreased by \$802,600 over the past fiscal year. During Fiscal Year 2017, decreases in contributions allowed the Fund to continue to operate at a loss. The Fund will continue to use existing fund balances to support Academy projects.

**Statement of Cash Flows**

The Fund uses the Statement of Cash Flows to identify cash provided by or used in operating, investing and financing activities. The Fund had a \$379,931 decrease in cash and cash equivalents during Fiscal Year 2017.

**CONDENSED STATEMENTS OF CASH FLOWS**

For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Supporters and Grantors	\$ 1,041,122	\$ 1,915,691
Cash Paid to Grantee, Suppliers and Academy Employees	<u>(2,350,709)</u>	<u>(1,999,535)</u>
	<u>(1,309,587)</u>	<u>(83,844)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received	179,373	116,509
Cash Payment for the Purchase of Investments	(4,946,229)	(14,116,463)
Cash Proceeds from Sale of Investments	<u>5,696,512</u>	<u>13,254,650</u>
	<u>929,656</u>	<u>(745,304)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(379,931)	(829,148)
<b>CASH AND CASH EQUIVALENTS,</b>		
<b>BEGINNING OF YEAR</b>	<u>1,375,217</u>	<u>2,204,365</u>
<b>END OF YEAR</b>	<u>\$ 995,286</u>	<u>\$ 1,375,217</u>

**STATE OF ILLINOIS**  
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**Economic Outlook**

The Fund continues to invest in various investment securities. During the prior fiscal year, the Fund moved their investments to a new provider which will utilize Mutual Funds rather than Municipal Bonds, Certificates of Deposits and U.S. Treasuries. Overall, this fiscal year saw the economy and financial markets improve, whereas the previous fiscal year, the Fund realized a net loss. The future economic outlook at year-end remains stable. However, investments, as always, were exposed to various risks such as interest rate, market and credit risks.

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

**STATE OF ILLINOIS**  
**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
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**STATEMENTS OF NET POSITIONS**  
**As of June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 995,286	\$ 1,375,217
Investments	7,496,268	7,716,563
Accounts Receivable	122,900	74,677
Contribution Advances	578,646	685,308
Prepaid Expenses	12,422	16,546
Pledges Receivable, Net	31,710	122,848
Total Current Assets	9,237,232	9,991,159
<b>Non-Current Assets</b>		
Pledges Receivable, Net	76,073	121,788
Endowment Investments	133,711	133,711
Total Non-Current Assets	209,784	255,499
<b>TOTAL ASSETS</b>	<b>9,447,016</b>	<b>10,246,658</b>
<b>LIABILITIES</b>		
Accounts Payable	18,552	9,844
Unearned Revenue	2,025	7,775
<b>TOTAL LIABILITIES</b>	<b>20,577</b>	<b>17,619</b>
<b>NET POSITION</b>		
Unrestricted Net Assets	6,630,083	5,997,240
Restricted, Expendable	2,662,645	4,098,088
Restricted, Non-Expendable	133,711	133,711
<b>TOTAL NET POSITION</b>	<b>\$ 9,426,439</b>	<b>\$ 10,229,039</b>

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

**STATE OF ILLINOIS**  
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**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Contributions	\$ 940,365	\$ 2,512,244
Operating Agreement with Academy	253,004	202,396
Program Fees	17,877	22,648
In-Kind Contributions of Goods and Services	<u>430</u>	<u>2,477</u>
Total Operating Revenues	<u>1,211,676</u>	<u>2,739,765</u>
<b>Operating Expenses</b>		
Academy Support	2,342,640	1,370,901
Management and General	68,614	94,752
Fundraising	59,379	46,608
Operating Agreement with Academy	<u>253,004</u>	<u>202,396</u>
Total Operating Expenses	<u>2,723,637</u>	<u>1,714,657</u>
Operating Income	<u>(1,511,961)</u>	<u>1,025,108</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest and Dividend Income	179,373	116,509
Net Gain (Loss) on Investment	<u>529,988</u>	<u>(163,116)</u>
Net Non-Operating Revenues (Expenses)	<u>709,361</u>	<u>(46,607)</u>
<b>CHANGE IN NET POSITION</b>	(802,600)	978,501
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>10,229,039</u>	<u>9,250,538</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 9,426,439</u>	<u>\$ 10,229,039</u>

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

**STATE OF ILLINOIS**  
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**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Supporters and Grantors	\$ 1,041,122	\$ 1,915,691
Cash Paid to Grantee, Suppliers and Academy Employees	<u>(2,350,709)</u>	<u>(1,999,535)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(1,309,587)</u>	<u>(83,844)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received	179,373	116,509
Cash Payment for the Purchase of Investments	(4,946,229)	(14,116,463)
Cash Proceeds from Sale of Investments	<u>5,696,512</u>	<u>13,254,650</u>
<b>NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES</b>	<u>929,656</u>	<u>(745,304)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(379,931)	(829,148)
<b>CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR</b>	<u>1,375,217</u>	<u>2,204,365</u>
<b>CASH AND CASH EQUIVALENTS-END OF YEAR</b>	<u>\$ 995,286</u>	<u>\$ 1,375,217</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating (Loss) Income	(1,511,961)	1,025,108
Adjustments to Reconcile operating (loss) income to Net Cash Used by Operating Activities:		
Loss on Sale of Donated Stock	-	447
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(48,224)	(44,582)
Contribution Advances	106,662	(492,717)
Prepaid Expenses	4,124	(3,880)
Pledges Receivable	136,853	426,970
Accounts Payable	8,709	6,847
Unearned Revenue	<u>(5,750)</u>	<u>(1,002,037)</u>
Total Adjustments	<u>202,374</u>	<u>(1,108,952)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (1,309,587)</u>	<u>\$ (83,844)</u>
<b>NONCASH INVESTING ACTIVITIES</b>		
Unrealized Gain (Loss) on Investments	<u>\$ 335,673</u>	<u>\$ (1,137,068)</u>

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

**STATE OF ILLINOIS**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE A – ORGANIZATION**

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Financial Reporting Entity**

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

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

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

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

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

**2. Basis of Accounting**

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

**3. Basis of Presentation**

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

**4. Cash and Cash Equivalents**

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

**5. Investments**

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

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

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

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

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

*Level 3* unobservable inputs for an asset.

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

**6. Accounts Receivable**

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

**7. Unearned Revenue**

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

**8. Classification of Revenues**

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

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

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

**9. Net Position**

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

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

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

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

**10. Use of Estimates**

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

**11. Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**NOTE C – DEPOSITS AND INVESTMENTS**

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

	<b>2017</b>	<b>2016</b>
Carrying Amount of Deposits	\$ 163,675	\$ 278,206
Carrying Amount of Investments	7,629,979	7,850,274
Money Market Funds	831,411	1,096,811
Petty Cash	200	200
Total	<b>\$ 8,625,265</b>	<b>\$ 9,225,491</b>
	<b>2017</b>	<b>2016</b>
Cash and Cash Equivalents	\$ 995,286	\$ 1,375,217
Investments	7,496,268	7,716,563
Endowment Investments	133,711	133,711
Total	<b>\$ 8,625,265</b>	<b>\$ 9,225,491</b>

**STATE OF ILLINOIS**  
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**NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)**

**1. Deposits**

Deposits with financial institutions had a carrying amount of \$163,675 and \$278,206 and bank balances of \$151,701 and \$233,838 at June 30, 2017 and 2016, respectively. These amounts represent cash in banks and certificates of deposit.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure deposits may not be returned. At June 30, 2017 and 2016, deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC) or pledged collateral. Certificates of deposit were held in the Fund’s investment brokerage accounts.

**2. Investments**

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

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

**Investment Maturities (in Years)**

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

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

**2. Investments (Continued)**

Investments at June 30, 2016 consisted of the following managed funds:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				
		<u>No Maturity Date</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>10 +</u>
Mutual Funds-Bonds	\$3,407,239	\$ -	\$ 91,995	\$1,570,443	\$1,303,204	\$ 441,597
Equity Funds	4,147,577	4,147,577	-	-	-	-
IShares Currency Hedge	295,458	295,458	-	-	-	-
<b>Total</b>	<b><u>\$7,850,274</u></b>	<b><u>\$4,443,035</u></b>	<b><u>\$ 91,995</u></b>	<b><u>\$1,570,443</u></b>	<b><u>\$1,303,204</u></b>	<b><u>\$ 441,597</u></b>

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 \$831,411 and \$1,096,811 at June 30, 2017 and 2016, respectively.

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

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

The Fund's investments at June 30, 2017 and 2016 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.

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

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

As of June 30, 2017 and 2016 the Fund's investments in debt securities (other than U.S. Treasuries) were rated as follows:

<u>Standard &amp; Poor's Rating</u>	<u>2017 Fair Market Value</u>	<u>2016 Fair Market Value</u>
AAA	\$ 178,404	\$ 211,799
AA1	145,423	-
AA	-	193,439
A1	365,434	-
A	-	562,063
Baa1	378,486	-
Ba1	11,540	-
BBB	3,437	438,404
BB	55,195	127,979
B	73,429	162,463
CCC	13,687	25,299
Not Rated	12,502	17,155
Total	<u>\$ 1,237,537</u>	<u>\$ 1,738,601</u>

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

Foreign currency risk: The Fund was exposed to limited foreign currency risk at June 30, 2017 and not exposed to foreign currency risk at June 30, 2016. 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>2017</u>	<u>2016</u>
Net realized gains on disposition of investments	\$ 194,315	\$ 973,952
Net unrealized gains (losses)	<u>335,673</u>	<u>(1,137,068)</u>
Total net gains (losses) on investments	<u>\$ 529,988</u>	<u>\$ (163,116)</u>

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**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, 2017 and 2016, pledges receivable were \$107,783 and \$244,636, respectively, and were classified as either short-term or long-term. Long-term pledges included discounts of \$0 and \$0 as of June 30, 2017 and 2016, respectively. The pledges are reported net of an allowance for doubtful accounts of \$428 and \$612 as of June 30, 2017 and 2016, respectively.

**NOTE E – RELATED PARTY TRANSACTIONS**

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

Both organizations acknowledge that State resources should not be used to provide for fundraising activities, which do not result in a value to the Academy of the same or greater value than what the Academy receives directly from the Fund. As long as the Academy receives direct or indirect program support from the Fund, which is greater than the costs the Academy incurs on behalf of the Fund, no reimbursement shall occur. If in any fiscal year those costs are greater than the program support provided to the Academy, the Fund will reimburse the Academy for the excess of the costs over the program support provided. For Fiscal Years 2017 and 2016, total program support provided to the Academy by the Fund was \$2,342,640 and \$1,370,901. The total costs incurred by the Academy for the Fund were approximately \$253,004 and \$202,396, respectively.

At June 30, 2017 and 2016, accounts receivable due from the Academy was \$120,875 and \$66,196, respectively.

At June 30, 2017 and 2016, contribution advances of \$578,646 and \$685,308, 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 \$106,918 and \$250,985 during the years ended June 30, 2017 and 2016, respectively.

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**NOTE F – 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.

During Fiscal Year 2016, the Fund met the conditions of a previous \$1,000,000 grant for the creation of a 6,400 square foot laboratory space to serve students in their pursuit of innovation, entrepreneurship, and talent development programming, utilizing a dedicated space equipped with state-of-the-art technology. The \$1,000,000 was recognized as revenue during fiscal year 2016.

**NOTE G – 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, 2017 and 2016.

**NOTE H – ENDOWMENTS**

The Fund's Board established a quasi-endowment fund during the year ended June 30, 2008, with the creation of Stephanie Pace Marshall endowment for Innovation and Entrepreneurship. The endowment's principal objectives are the promotion and development of innovation and excellence in achieving the Academy's legislative mandate and strategic mission and objectives, including non-recurring purposes of the Academy not regularly funded by the State of Illinois. During Fiscal Years 2013 and 2014, the Fund's Board established three board-designated endowments. These endowment's principal objectives are Professional Field Services, McLaren Faculty Excellence Endowment and Total Applied Learning for Entrepreneurs programs. The balance of the quasi- and board-designated endowment fund as of June 30, 2017 and 2016 was \$4,959,901 and \$4,093,221, respectively. The principal of these endowments will not be expended, and is reported on the Statements of Net Position as "Unrestricted Net Position".

**STATE OF ILLINOIS**  
**IMSA FUND FOR ADVANCEMENT OF EDUCATION**  
**(a Component Unit Of The State Of Illinois)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE H – ENDOWMENTS (CONTINUED)**

As permitted by State law, a distribution from investment earnings will be made available for purposes designated by the Fund's Board of Directors from the endowment funds. During Fiscal Years 2017 and 2016, the Fund's Board of Directors authorized a payment of up to 4%, of the average of the preceding three year balance. The amount approved for expenditure as of December 31, 2016 and 2015 was \$74,065 and \$74,065, respectively. During the fiscal years 2017 and 2016, \$74,065 and \$74,065 of the aforementioned authorized expenditures were made along with investment management fees. Any portion of the annual distributable funds not distributed in any given year will be retained in the Quasi-Endowment Fund in a pool of funds spendable in future years. Net appreciation of Quasi-Endowments was \$1,332,487 and \$896,650 as of June 30, 2017 and 2016, respectively.

Two permanent endowment funds were established pursuant to donors' gifts during the year ended June 30, 2007. Two additional permanent endowment funds were established during the fiscal year ended June 30, 2012. These endowments require the principal to remain intact and are reported on the Statements of Net Position as "Restricted Net Position, Nonexpendable". Net appreciation of donor restricted endowments was \$81,783 and \$63,127 as of June 30, 2017 and 2016, respectively.

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

**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, 2017 and 2016**

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**  
**SUMMARY**

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

- Analysis of Operations (Unaudited):
  - Agency Functions and Planning Program (Unaudited)
  - Analysis of Significant Variations in Expenses (Unaudited)
  - Analysis of Significant Variations in Revenue (Unaudited)
  - Schedule of Services Provided by the Academy to the Fund (Unaudited)
  - Average Number of Employees (Unaudited)

The independent auditor's report that covers the Supplementary Information for State Compliance Purposes presented in the Other Information Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's 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 independent auditor's 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, they 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)**  
**AGENCY FUNCTIONS AND PLANNING PROGRAM**  
**For the Years Ended June 30, 2017 and 2016**

**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 services 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 (UNAUDITED)**

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.

Barbara A. Graham is the current Executive Director of the IMSA Fund. IMSA Fund Board Director, Dr. Ross Hemphill is the Secretary of IMSA Fund. Dr. Jeffrey Margolis was the Vice President of External Engagement of the Illinois Mathematics and Science Academy from 8/10/2015 until 6/15/2017.

**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, 2017 and 2016**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES (UNAUDITED)**

Explanations for variances of \$60,000 and 5% have been provided below.

	Year Ending June 30,		
	2017	2016	2015
Operating Expenses			
Academy Support	2,342,640	1,370,901	1,272,120
Management and General	68,614	94,752	69,892
Fundraising	59,379	46,608	62,484
Operating Agreement with Academy	<u>253,004</u>	<u>202,396</u>	<u>303,141</u>
Total Expenses	<u>\$ 2,723,637</u>	<u>\$ 1,714,657</u>	<u>\$ 1,707,637</u>

Academy Support - The increase from 2016 to 2017 was due to the Fund making an effort to maximize contributions to the Academy and contributing to the construction of IN2 Innovation Center. The increase from 2015 to 2016 was also due to the same effort and contributions by the Fund.

Operating Agreement with Academy - The decrease from 2015 to 2016 was due primarily to turnover in positions at the Fund.

**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, 2017 and 2016**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE (UNAUDITED)**

Explanations for variances of \$60,000 and 5% have been provided below.

	Year Ending June 30,		
	2017	2016	2015
Contributions	\$ 940,365	\$ 2,512,244	\$ 3,235,442
Operating Agreement with Academy	253,004	202,396	303,141
Program Fees	17,877	22,648	28,725
In-Kind Contributions of Goods and Equipment	430	2,477	7,345
Interest and Dividend Income	179,373	116,509	59,457
Gain (Loss) on Investments	529,988	(163,116)	316,426
Contributions to Permanent Endowments	-	-	1,221
Total	<u>\$ 1,921,037</u>	<u>\$ 2,693,158</u>	<u>\$ 3,951,757</u>

Contributions - The decrease from 2016 to 2017 was due to revenue from the campaign for IN2 Innovation Center/greatest need which generated \$1.6 million in Fiscal Year 2016. The decrease from 2015 to 2016 was due to a one time \$2 million contribution received in Fiscal Year 2015.

Operating Agreement with Academy - The decrease from 2015 to 2016 was due primarily to turnover in positions at the Fund.

Interest and Dividend Income - The increase from 2016 to 2017 was due to a change in investment firm and better results in the market.

Gain (Loss) on Investments - The increase from 2016 to 2017 was due to changes in the economy resulting in increased gains on investments. The decrease from 2015 to 2016 was due to overall market performance and selling of the investments in 2016 for the move to a new investment firm.

**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, 2017 and 2016**

**SCHEDULE OF SERVICES PROVIDED BY THE ACADEMY TO THE FUND (UNAUDITED)**

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,		
	2017	2016	2015
Services provided:			
Personal Service	\$ 192,755	\$ 145,728	\$ 246,108
Rent	30,945	27,045	28,305
Maintenance Costs	10,596	11,969	10,088
Utilities	6,581	6,256	6,661
Equipment/Furniture Rental	7,950	6,525	7,425
Telephone Services	2,899	3,789	3,522
Financial System Costs	<u>1,278</u>	<u>1,084</u>	<u>1,032</u>
Total	<u>\$ 253,004</u>	<u>\$ 202,396</u>	<u>\$ 303,141</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)**  
**AVERAGE NUMBER OF EMPLOYEES**  
**For the Years Ended June 30, 2017 and 2016**

**AVERAGE NUMBER OF EMPLOYEES (UNAUDITED)**

	Year Ending June 30,		
	2017	2016	2015
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.