



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
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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
For the Years Ended June 30, 2020 and 2019

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**STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
FINANCIAL AUDIT
For the Years Ended June 30, 2020 and 2019**

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, 2020 and 2019 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, 2020 and 2019.

EXIT CONFERENCE

The IMSA Fund for Advancement of Education waived an exit conference in a correspondence from from Tami Armstrong, Executive Director of Development on January 4, 2021.



CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS
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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, 2020 and 2019, 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the IMSA Fund for Advancement of Education, as of June 30, 2020 and 2019, 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 5 - 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2021, on our consideration of the IMSA Fund for Advancement of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the IMSA Fund for Advancement of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IMSA Fund for Advancement of Education's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

WASHINGTON, PITTMAN & McKEEVER, LLC

**Chicago, Illinois
January 6, 2021**

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, 2020 and 2019

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>2020</u>	<u>2019</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,167,944	\$ 589,121
Investments	8,141,175	7,900,920
Accounts Receivable	51,690	64,034
Contribution Advances	270,325	163,624
Pledges Receivable, Net	<u>375,000</u>	<u>83,824</u>
TOTAL ASSETS	<u>10,006,134</u>	<u>8,801,523</u>
LIABILITIES		
Accounts Payable	<u>\$ 26,550</u>	<u>\$ 6,124</u>
TOTAL LIABILITIES	<u>\$ 26,550</u>	<u>\$ 6,124</u>
NET POSITION		
Unrestricted	\$ 7,650,380	\$ 7,283,700
Restricted, Expendable	1,379,877	886,190
Restricted, Nonexpendable	<u>949,327</u>	<u>625,509</u>
TOTAL NET POSITION	<u>\$ 9,979,584</u>	<u>\$ 8,795,399</u>

STATE OF ILLINOIS
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Fiscal year ended June 30, 2020 ended with an increase in net position of \$1,184,185. This change was influenced by an increase in contributions and reduction in expenses in Fiscal Year 2020.

Pledges Receivable

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

Contribution Advances

Contribution Advances represent grants 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
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Statement of Revenues, Expenses, and Changes in Net Position

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

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

For the Years Ended June 30,

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Contributions	1,279,075	1,148,964
Operating Agreement with Academy	277,021	277,499
Other Operating Revenues	<u>1,850</u>	<u>11,250</u>
TOTAL OPERATING REVENUES	<u>1,557,946</u>	<u>1,437,713</u>
OPERATING EXPENSES		
Academy Support	773,148	1,813,245
Management and General	79,834	98,507
Fundraising	29,836	38,490
Operating Agreement with Academy	<u>277,021</u>	<u>277,499</u>
TOTAL OPERATING EXPENSES	<u>1,159,839</u>	<u>2,227,741</u>
OPERATING INCOME (LOSS)	398,107	(790,028)
NON-OPERATING REVENUES AND EXPENSES	462,260	507,497
CONTRIBUTIONS TO PERMANENT ENDOWMENTS	<u>323,818</u>	<u>490,805</u>
CHANGE IN NET POSITION	1,184,185	208,274
NET POSITION - BEGINNING OF YEAR	<u>8,795,399</u>	<u>8,587,125</u>
NET POSITION - END OF YEAR	<u>\$ 9,979,584</u>	<u>\$ 8,795,399</u>

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MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2020 and 2019

Operating Revenues

The total Operating Revenues of the Fund increased 8% from Fiscal Year 2019 to 2020. This was primarily the result of an increase in contributions received in Fiscal Year 2020.

The Fund's investment income decreased during Fiscal Year 2020. The Fund recorded interest and dividends income of \$206,110 and net gains on investments of \$256,245 during Fiscal Year 2020, as compared to interest and dividend income of \$252,258 and net gains on investments of \$255,238 for Fiscal Year 2019.

Operating Expenses

Academy Support

The Fund recognized \$773,148 and \$1,813,245 in Fiscal Years 2020 and 2019, 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. During Fiscal Year 2020, while support was provided, the Academy utilized less funding compared to Fiscal Year 2019.

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 2020 fundraising expenses decreased 22% compared to Fiscal Year 2019. During Fiscal Year 2020, the Fund expended less on consulting costs.

Management and General

Management and general expenses decreased from \$98,507 in Fiscal Year 2019 to \$79,834 in Fiscal Year 2020.

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.

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Change in Net Position

Net Position increased by \$1,184,185 over the past fiscal year. During Fiscal Year 2020, increases in contributions allowed the Fund to operate at a gain. The Fund will continue to use existing fund balances to support Academy projects.

Statement of Cash Flows

The Fund uses the Statement of Cash Flows to identify cash provided by or used in operating, investing and financing activities. The Fund had a \$578,823 increase in cash and cash equivalents during Fiscal Year 2020.

CONDENSED STATEMENTS OF CASH FLOWS

For the Years Ended June 30,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Supporters and Grantors	\$ 1,000,339	\$ 1,140,705
Cash Paid to Grantee, Suppliers and Academy Employees	<u>(935,149)</u>	<u>(1,496,652)</u>
	<u>65,190</u>	<u>(355,947)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	206,015	252,259
Cash Payment for the Purchase of Investments	(3,607,467)	(1,751,837)
Cash Proceeds from Sale of Investments	<u>3,591,267</u>	<u>1,322,836</u>
	<u>189,815</u>	<u>(176,742)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received for Permanent Endowments	<u>323,818</u>	<u>490,805</u>
	<u>323,818</u>	<u>490,805</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	578,823	(41,884)
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	<u>589,121</u>	<u>631,005</u>
END OF YEAR	<u>\$ 1,167,944</u>	<u>\$ 589,121</u>

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Economic Outlook

The Fund continues to invest in the approach of a well-diversified, balanced approach to segmentation of investment holdings. The Fund utilizes the management of an independent consulting firm, to manage fund assets according to policy. Assets are invested in mutual fund vehicles and actually held with an investment company. The portfolio is made up of a balance of U.S. Equities, Non U.S. Equities, Growth Fixed Income, Core Fixed Income and Cash.

During the fiscal year, financial markets were dominated by the emergence of and response to COVID-19. Global gross domestic product (GDP) collapsed during the first quarter of 2020, which was followed by unprecedented government stimulus. During the first quarter, equities were under significant pressure and there was a flight toward quality within fixed income, driving down interest rates on high quality fixed income. Markets rebounded significantly in the second quarter, spurred by government stimulus and a rebound in economic activity. The economic outlook at fiscal year-end is positive, as we expect the recovery to continue. The pace of the recovery will remain highly dependent on the path of the virus.

The Fund believes the diversified investment approach moderates the impact of any particular portfolio risk, while equity risk and interest rate risks remain dominant exposures. The approach seeks to balance portfolio growth with stability of returns. Assets are managed according to the time horizon, with long term assets more focused on growth and short term assets more focused on capital preservation. While the market environment is improving, but with significant risks remaining, the Fund believes its prudent investment strategy and investment policies will continue to result in positive results over the long term.

STATE OF ILLINOIS
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STATEMENTS OF NET POSITIONS
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,167,944	\$ 589,121
Investments	7,191,848	7,275,411
Accounts Receivable	51,690	64,034
Contribution Advances	270,325	163,624
Pledges Receivable, Net	<u>125,000</u>	<u>83,824</u>
Total Current Assets	<u>8,806,807</u>	<u>8,176,014</u>
Non-Current Assets		
Pledges Receivable, Net	250,000	-
Endowment Investments	<u>949,327</u>	<u>625,509</u>
Total Non-Current Assets	<u>1,199,327</u>	<u>625,509</u>
TOTAL ASSETS	<u>10,006,134</u>	<u>8,801,523</u>
LIABILITIES		
Accounts Payable	<u>26,550</u>	<u>6,124</u>
TOTAL LIABILITIES	<u>26,550</u>	<u>6,124</u>
NET POSITION		
Unrestricted Net Assets	7,650,380	7,283,700
Restricted, Expendable	1,379,877	886,190
Restricted, Non-Expendable	<u>949,327</u>	<u>625,509</u>
TOTAL NET POSITION	<u>\$ 9,979,584</u>	<u>\$ 8,795,399</u>

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Contributions	\$ 1,279,075	\$ 1,148,964
Operating Agreement with Academy	277,021	277,499
In-Kind Contributions of Goods and Services	<u>1,850</u>	<u>11,250</u>
Total Operating Revenues	<u>1,557,946</u>	<u>1,437,713</u>
Operating Expenses		
Academy Support	773,148	1,813,245
Management and General	79,834	98,507
Fundraising	29,836	38,490
Operating Agreement with Academy	<u>277,021</u>	<u>277,499</u>
Total Operating Expenses	<u>1,159,839</u>	<u>2,227,741</u>
Operating Income (Loss)	<u>398,107</u>	<u>(790,028)</u>
Non-Operating Revenues (Expenses)		
Interest and Dividend Income	206,015	252,259
Net Gain on Investment	<u>256,245</u>	<u>255,238</u>
Net Non-Operating Revenues	<u>462,260</u>	<u>507,497</u>
Income (Loss) Before Other Revenues	<u>860,367</u>	<u>(282,531)</u>
Contributions to Permanent Endowments	<u>323,818</u>	<u>490,805</u>
Total Other Revenues	<u>323,818</u>	<u>490,805</u>
CHANGE IN NET POSITION	1,184,185	208,274
NET POSITION - BEGINNING OF YEAR	<u>8,795,399</u>	<u>8,587,125</u>
NET POSITION - END OF YEAR	<u>\$ 9,979,584</u>	<u>\$ 8,795,399</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Supporters and Grantors	\$ 1,000,339	\$ 1,140,705
Cash Paid to Grantee, Suppliers and Academy Employees	<u>(935,149)</u>	<u>(1,496,652)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>65,190</u>	<u>(355,947)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received	206,015	252,259
Cash Payment for the Purchase of Investments	(3,607,467)	(1,751,837)
Cash Proceeds from Sale of Investments	<u>3,591,267</u>	<u>1,322,836</u>
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	<u>189,815</u>	<u>(176,742)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received for Permanent Endowments	<u>323,818</u>	<u>490,805</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>323,818</u>	<u>490,805</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	578,823	(41,884)
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>589,121</u>	<u>631,005</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 1,167,944</u>	<u>\$ 589,121</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	398,107	(790,028)
Adjustments to Reconcile operating income (loss) to Net Cash Provided (Used) by Operating Activities:		
Loss on Sale of Donated Stock	95	-
Bad Debt Expenses	32,095	-
Changes in Certain Assets and Liabilities:		
Accounts Receivable	12,345	(24,234)
Contribution Advances	(106,704)	445,780
Prepaid Expenses	-	3,413
Pledges Receivable	(291,176)	15,975
Accounts Payable	<u>20,428</u>	<u>(6,853)</u>
Total Adjustments	<u>(332,917)</u>	<u>434,081</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 65,190</u>	<u>\$ (355,947)</u>
NONCASH INVESTING ACTIVITIES		
Unrealized Gain on Investments	<u>\$ 67,455</u>	<u>\$ 169,074</u>

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

STATE OF ILLINOIS
IMSA FUND FOR ADVANCEMENT OF EDUCATION
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

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 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. 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 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)

9. 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.

10. 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:

	<u>2020</u>	<u>2019</u>
Carrying Amount of Deposits	\$ 545,698	\$ 38,976
Carrying Amount of Investments	8,141,175	7,900,920
Money Market Funds	622,046	549,945
Petty Cash	<u>200</u>	<u>200</u>
Total	<u>\$ 9,309,119</u>	<u>\$ 8,490,041</u>
	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,167,944	\$ 589,121
Investments	7,191,848	7,275,411
Endowment Investments	<u>949,327</u>	<u>625,509</u>
Total	<u>\$ 9,309,119</u>	<u>\$ 8,490,041</u>

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NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

1. Deposits

Deposits with financial institutions had a carrying amount of \$545,698 and \$38,976 and bank balances of \$555,511 and \$87,340 at June 30, 2020 and 2019, respectively. These amounts represent cash in banks.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure deposits may not be returned. At June 30, 2020 and 2019, deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC) or pledged collateral. Money market funds were held in the Fund’s investment brokerage accounts.

2. Investments

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

Investments at June 30, 2020 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	\$2,614,836	\$ 54,299	\$ 130,116	\$1,332,424	\$ 711,048	\$ 386,949
Equity Funds	<u>5,526,339</u>	<u>5,526,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$8,141,175</u>	<u>\$5,580,638</u>	<u>\$ 130,116</u>	<u>\$1,332,424</u>	<u>\$ 711,048</u>	<u>\$ 386,949</u>

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NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

2. Investments (Continued)

Investments at June 30, 2019 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	\$1,926,482	\$ -	\$ 42,554	\$ 966,861	\$ 607,319	\$ 309,748
Equity Funds	<u>5,974,438</u>	<u>5,974,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$7,900,920</u>	<u>\$5,974,438</u>	<u>\$ 42,554</u>	<u>\$ 966,861</u>	<u>\$ 607,319</u>	<u>\$ 309,748</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 \$622,046 and \$549,945 at June 30, 2020 and 2019, respectively.

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

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

The valuation by levels at June 30, 2019 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 549,945	\$ -	\$ -
Mutual Funds	1,926,482	-	-
Equity Funds	<u>5,974,438</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,450,865</u>	<u>\$ -</u>	<u>\$ -</u>

The Fund's investments at June 30, 2020 and 2019 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, 2020 and 2019 the Fund’s investments in debt securities (other than U.S. Treasuries) were rated as follows:

Standard & Poor’s Rating	2020 Fair Market Value	2019 Fair Market Value
AAA	\$ 545,586	\$ 93,061
Aa	93,520	69,335
AA2	8,140	-
A	279,235	209,132
Baa	418,400	288,496
Ba	66,429	1,535
BBB	73,501	-
BB	112,414	-
B	111,582	341
CCC	18,903	-
CC	3,045	-
C	60	-
D	1,176	-
Not Rated	33,757	4,436
Less than B	32,339	-
CAA & Lower	1,180	-
Total	<u>\$ 1,799,267</u>	<u>\$ 666,336</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, 2020 and 2019, respectively. The Fund’s investment mitigates risk of foreign currency loss with the balanced approach to sector segmentation.

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

	2020	2019
Net realized gains on disposition of investments	\$ 188,790	\$ 86,164
Net unrealized gains	<u>67,455</u>	<u>169,074</u>
Total net gains on investments	<u>\$ 256,245</u>	<u>\$ 255,238</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, 2020 and 2019, pledges receivable were \$375,000 and \$83,824, respectively, and were classified as either short-term or long-term. The pledges are reported net of an allowance for doubtful accounts of \$0 and \$421 as of June 30, 2020 and 2019, 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 2020 and 2019, total program support provided to the Academy by the Fund was \$773,148 and \$1,813,245. The total costs incurred by the Academy for the Fund were approximately \$277,021 and \$277,499, respectively.

At June 30, 2020 and 2019, accounts receivable due from the Academy was \$51,690 and \$64,034, respectively.

At June 30, 2020 and 2019, contribution advances of \$270,325 and \$163,624, respectively, represents funds advanced to the Academy but were deferred to the following year.

Other Related Parties

The Fund recognized contribution revenue from members of the Fund's Board of Directors and the Academy's Board of Trustees and those members' affiliated corporations and foundations in the amount of \$46,600 and \$53,750 during the years ended June 30, 2020 and 2019, respectively.

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NOTE F – INCOME TAXES

IMSA Fund for Advancement of Education is a non-profit organization, which has been granted a tax-exempt status as a public charity under Section 501(c) (3) of the Internal Revenue Code. The Fund is required to pay Federal and State income taxes only on its net unrelated business income. A provision for income taxes was not required for the years ended June 30, 2020 and 2019.

NOTE G – ENDOWMENTS

The Fund's Board established a quasi-endowment fund during the year ended June 30, 2008, with the creation of Stephanie Pace Marshall endowment for Innovation and Entrepreneurship. The endowment's principal objectives are the promotion and development of innovation and excellence in achieving the Academy's legislative mandate and strategic mission and objectives, including non-recurring purposes of the Academy not regularly funded by the State of Illinois. During Fiscal Years 2013 and 2014, the Fund's Board established three board-designated endowments. These endowment's principal objectives are Professional Field Services, McLaren Faculty Excellence Endowment and Total Applied Learning for Entrepreneurs programs. The balance of the quasi- and board-designated endowment fund as of June 30, 2020 and 2019 was \$6,305,604 and \$6,079,531, respectively. The principal of these endowments will not be expended, and is reported on the Statements of Net Position as "Unrestricted Net Position".

As permitted by State law, a distribution from investment earnings will be made available for purposes designated by the Fund's Board of Directors from the endowment funds. During Fiscal Years 2020 and 2019, 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, 2019 and 2018 was \$225,982 and \$192,668, respectively. During the fiscal years 2020 and 2019, \$103,097 and \$192,636 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 \$226,073 and \$216,602 as of June 30, 2020 and 2019, 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. Four additional permanent endowments were established during the fiscal year ended June 30, 2019. Two additional permanent endowments were established during the fiscal year ended June 30, 2020. 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 \$364,696 and \$544,521 as of June 30, 2020 and 2019, 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.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

And

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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the IMSA Fund for Advancement of Education, as of and for the year ended June 30, 2020, 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 January 6, 2021.

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*.

Internal Control Over Financial Reporting

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

In planning and performing our audit of the financial statements, we considered the IMSA Fund for Advancement of Education's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 above paragraphs of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
January 6, 2021**