

**State of Illinois
IMSA Fund for
Advancement of Education**

**Compliance Examination
For the Years Ended June 30, 2005 and 2004**

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

**STATE OF ILLINOIS
 IMSA FUND FOR ADVANCEMENT OF EDUCATION
 COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2005 and 2004**

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State of Illinois
IMSA Fund for Advancement of Education
AGENCY OFFICIALS
For the Years Ended June 30, 2005 and 2004

President	Mr. Michael J. Birck
Vice-President (7/1/04 – Current)	Mr. William J. White
Vice-President (7/1/04 – Current)	Mr. Gregory Jones
Treasurer	Dr. Nandu Thondavadi
Secretary/Vice President For Advancement of IMSA	Ms. Catherine C. Veal

Agency Offices are located at:

1500 W. Sullivan Road
Aurora, Illinois 60506-1000



BOARD OF DIRECTORS

HONORARY CHAIRMAN
James R. Thompson*
Winston & Strawn

OFFICERS

PRESIDENT
Michael J. Birck
Tellabs, Inc.

VICE-PRESIDENT
Gregory K. Jones
The Edgewater Funds

VICE-PRESIDENT
William J. White
Northwestern University

SECRETARY
Catherine C. Veal*
IMSA

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The Landmark Group of Companies

John F. Berger
CPO Direct

G. Thomas Castino
Underwriters Laboratories, Inc
(Retired)

Marty DiMarzio '95
Deloitte Consulting

Sandra Goeken
Goeken Group Corporation

John Hoesley '89
Prism Capital Corporation

Chelsy A. Hopper '92
Deutsche Asset Management

Herbert B. Knight
Tenneco, Inc.
(Retired)

James D. Pearson
Aurora Metals Division, L.L.C.
(Retired)

Bonnie Stoufer
The Boeing Company

Preston Swafford
Exelon Corporation

Jarvis Yeh
Maxx Products International

**Non-Voting*

IMSA PRESIDENT
Stephanie Pace Marshall

De Raimo Hillger & Ripp
Certified Public Accountants
655 N. LaGrange Rd., Suite 102
Frankfort, IL 60423

November 8, 2005

Ladies and Gentlemen:

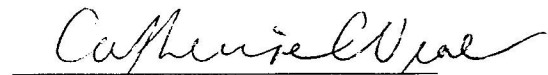
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the IMSA Fund for Advancement of Education. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Fund's compliance with the following assertions during the two-year period ended June 30, 2005. Based on this evaluation, we assert that during the year ended June 30, 2005, the Agency has materially complied with the assertions below.

- A. The Fund has obligated, expended, received and used donated funds in accordance with the purpose for which such funds have been donated or otherwise authorized by law.
- B. The Fund has obligated, expended, received and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Fund has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Fund 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. The money or negotiable securities or similar assets handled by the Fund on behalf of IMSA or held in trust by the Fund have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

IMSA Fund for Advancement of Education


Lois Harris, Director of IMSA Fund Business Services


Catherine C. Veal, Vice President for Advancement, IMSA
Secretary, IMSA Fund for Advancement of Education



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State of Illinois
IMSA Fund for Advancement of Education
COMPLIANCE REPORT
SUMMARY
For the Years Ended June 30, 2005 and 2004

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

AUDITORS' REPORTS

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

SUMMARY OF FINDINGS

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

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
		FINDINGS (STATE COMPLIANCE)
		NONE
		PRIOR FINDINGS NOT REPEATED
		NONE

State of Illinois
IMSA Fund for Advancement of Education
COMPLIANCE REPORT
SUMMARY
For the Years Ended June 30, 2005 and 2004

EXIT CONFERENCE

The IMSA Fund management waived having an exit conference per a letter dated December 15, 2005.

DE RAIMO HILLGER & RIPP

Certified Public Accountants & Business Consultants

655 N. La Grange Road • Suite 102 • Frankfort, IL 60423-1347 • Telephone: (815) 469-7500 • Facsimile: (815) 469-6970

JOHN J. DE RAIMO
FERNE M. HILLGER
ROBERT J. RIPP

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois IMSA Fund for Advancement of Education's 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, 2005. The management of the State of Illinois IMSA Fund for Advancement of Education is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois IMSA Fund for Advancement of Education's compliance based on our examination.

- A. The State of Illinois 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 State of Illinois 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 State of Illinois 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. The State revenues and receipts collected by the State of Illinois 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 State of Illinois IMSA Fund for Advancement of Education on behalf of the State or held in trust by the State of Illinois IMSA Fund for Advancement of Education have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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

In our opinion, the State of Illinois IMSA Fund for Advancement of Education complied, in all material respects, with the aforementioned requirements during the years ended June 30, 2005 and 2004. There were no immaterial findings relating to instances of noncompliance that have been excluded from this report.

Internal Control

The management of the State of Illinois IMSA Fund for Advancement of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the State of Illinois IMSA Fund for Advancement of Education's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. There were no immaterial findings relating to internal control deficiencies that have been excluded from this report.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities and fund information of the State of Illinois IMSA Fund for Advancement of Education as of and for the years ended June 30, 2005 and 2004, which collectively comprise the State of Illinois IMSA Fund for Advancement of Education's basic financial statements, and have issued our report thereon dated November 8, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State of Illinois IMSA Fund for Advancement of Education. The 2005 Supplementary Information for State Compliance Purposes has been subjected to the

auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2005 and 2004, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the State of Illinois IMSA Fund for Advancement of Education's basic financial statements for the years ended June 30, 2004 and June 30, 2003. In our reports dated November 5, 2004 and November 3, 2003, we expressed unqualified opinions on the respective financial statements of the governmental activities and fund information. In our opinion, the 2004 and 2003 Supplementary Information for State Compliance Purposes is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2004 and June 30, 2003, taken as a whole.

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

DeRaimo Hillger & Ripp

November 8, 2005

State of Illinois
IMSA Fund for Advancement of Education
CURRENT FINDINGS – STATE
For the Years Ended June 30, 2005 and 2004

There were no current findings noted during the Compliance Examination for the years ended June 30, 2005 and 2004.

State of Illinois
IMSA Fund for Advancement of Education
PRIOR YEAR FINDINGS NOT REPEATED – STATE
For the Years Ended June 30, 2005 and 2004

NONE

State of Illinois
IMSA Fund for Advancement of Education
SUPPLEMENTARY INFORMATION FOR STATE
COMPLIANCE PURPOSES SUMMARY
For the Years Ended June 30, 2005 and 2004

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

- Fiscal Schedules and Analysis:
 - Comparative Schedule of Cash Receipts
 - Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) – Locally-Held Funds
 - Analysis of Significant Variations in Receipts and Expenditures

- Analysis of Operations:
 - Agency Functions and Planning Program
 - Average Number of Employees
 - Supporting Services Expenses
 - Emergency Purchases
 - Illinois First Projects
 - Summary of IMSA Fund Cash Support to the Academy
 - Schedule of Services Provided by the Academy to IMSA Fund

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

State of Illinois
IMSA Fund for Advancement of Education
FISCAL SCHEDULES AND ANALYSIS
For the Years Ended June 30, 2005 and 2004

COMPARATIVE SCHEDULE OF CASH RECEIPTS

	Year Ending June 30,		
	2005	2004	2003
Receipt of contributions	\$ 959,178	\$ 923,997	\$ 1,670,162
Receipt of registration fees	0	0	875
Receipt of investment income, net of unrealized gain/loss on investments	39,076	36,898	82,174
Receipt of other revenue	16,974	23,067	264
Total receipts	<u>\$ 1,015,228</u>	<u>\$ 983,962</u>	<u>\$ 1,753,475</u>

CASH BASIS SCHEDULE - LOCALLY HELD FUNDS

Beginning balance of cash and certificates of deposit	\$ 1,730,686	\$ 2,382,301	\$ 2,177,942
Total funds received during the fiscal year	1,015,228	983,962	1,753,475
Total funds disbursed during the fiscal year	(790,830)	(1,541,722)	(1,465,285)
Change in investments, excluding unrealized gain/loss	(1,052,486)	(93,855)	(83,831)
Ending balance of cash and certificates of deposits	<u>\$ 902,598</u>	<u>\$ 1,730,686</u>	<u>\$ 2,382,301</u>

State of Illinois
IMSA Fund for Advancement of Education
FISCAL SCHEDULES AND ANALYSIS
For the Years Ended June 30, 2005 and 2004

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS AND EXPENDITURES

	Year Ending June 30,		
	2005	2004	2003
General Revenues	\$ 359,146	\$ 239,357	\$ 242,758
Expenses			
Education	\$ 777,014	\$ 1,463,040	\$ 1,267,131
Management & General	91,612	27,684	47,249
Other	29,111	38,000	9,496
	<u>\$897,737</u>	<u>\$1,528,724</u>	<u>\$1,323,876</u>
Program revenues			
Contributions	622,435	676,625	1,324,939
Net gains (losses) on investments	(254)	(416)	0
Registration fees	0	0	875
Total program revenues	<u>\$ 622,181</u>	<u>\$ 676,209</u>	<u>\$ 1,325,814</u>

Significant increases in General Revenues were due to the expansion of the annual giving campaign. The decreases in program revenues from 2003 to 2004 and 2005 are a result of the end of the major gift initiative campaign which was for program funding.

Significant decreases in education expenditures from 2004 to 2005 were due to a return to normal funding levels following two years in which the Fund provided increased program support to the Academy due to budget cuts. Increased management and general expenses reflect a return to normal staffing levels.

State of Illinois
IMSA Fund for Advancement of Education
ANALYSIS OF OPERATIONS
For the Years Ended June 30, 2005 and 2004

Agency Functions

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

The primary functions of the IMSA 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. The private sector contributions also provide resources to enhance the Academy's continuing development as an educational laboratory for schools and teachers throughout Illinois.

Agency Planning Program

The organization maintains a formal planning program, which is documented, in the Fund Board records. The Board of Directors of the IMSA 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. Staff agent responsibilities are reflected in their Roles and Goals planning documents.

The IMSA Fund has established an adequate operating program to meet its defined goals and objectives.

Name and Location of Agency Head

Catherine C. Veal – Secretary/Vice President for
Advancement of IMSA
1500 West Sullivan Road
Aurora, Illinois 60506-1000

State of Illinois
IMSA Fund for Advancement of Education
ANALYSIS OF OPERATIONS
For the Years Ended June 30, 2005 and 2004

AVERAGE NUMBER OF EMPLOYEES

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Average number of employees	0	0	0

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

SUPPORTING SERVICE EXPENSES

Supporting service expenses represent those amounts incurred by IMSA Fund to support management and general (operational) activities and fundraising activities. They do not include additional similar type expenses paid by the Academy on behalf of IMSA Fund.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Percent of total expenses represented by supporting services	13.45%	4.30%	4.29%
Percentage calculation:			
<u>Supporting Services Expense</u>	<u>\$ 120,723</u>	<u>\$ 65,684</u>	<u>\$ 56,745</u>
<u>Total Expenses</u>	<u>\$ 897,737</u>	<u>\$1,528,724</u>	<u>\$1,323,876</u>

State of Illinois
IMSA Fund for Advancement of Education
ANALYSIS OF OPERATIONS
For the Years Ended June 30, 2005 and 2004

EMERGENCY PURCHASES

No emergency purchases were reported by IMSA Fund for Advancement of Education to the Office of the Auditor General during the audit period.

ILLINOIS FIRST PROJECTS

According to Agency officials, there were no Illinois First projects involving IMSA Fund for Advancement of Education during the audit period.

State of Illinois
IMSA Fund for Advancement of Education
ANALYSIS OF OPERATIONS
For the Years Ended June 30, 2005 and 2004

SUMMARY OF IMSA FUND CASH SUPPORT TO THE ACADEMY

During fiscal years 2005 and 2004, the Academy engaged IMSA Fund, under contract to provide fundraising services. As provided in the contract agreement the Academy provided \$81,411, \$96,884 and \$66,880 of services to IMSA Fund for the fiscal years ended June 30, 2005, 2004 and 2003. As required by the contract, IMSA Fund must provide direct or indirect program support that exceeds the services provided by the Academy in order to have no reimbursement cost to occur.

Presented below is a summary of cash support provided to the Academy by IMSA Fund for the fiscal years ended June 30, 2005, 2004, and 2003.

	2005	2004	2003
Funds considered Restricted for purposes of the Guidelines computations:			
Cash given directly to the Academy	\$ 715,604	\$ 1,342,367	\$ 1,010,304
Equipment donations to the Academy	25,871	11,600	88,083
TOTAL FUNDS PROVIDED TO THE ACADEMY	\$ 741,475	\$ 1,353,967	\$ 1,098,387

State of Illinois
IMSA Fund for Advancement of Education
ANALYSIS OF OPERATIONS
For the Years Ended June 30, 2005 and 2004

SCHEDULE OF SERVICES PROVIDED BY THE ACADEMY TO IMSA FUND

	<u>2005</u>	<u>June 30, 2004</u>	<u>2003</u>
Personal Services	\$ 75,906	\$ 90,748	\$ 61,463
Rent	<u>5,505</u>	<u>6,136</u>	<u>5,417</u>
	<u>\$ 81,411</u>	<u>\$ 96,884</u>	<u>\$ 66,880</u>