

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

**Financial Audit  
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  
For the Years Ended June 30, 2005 and 2004

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**AGENCY OFFICIALS**

**IMSA FUND FOR THE ADVANCEMENT OF EDUCATION**

|   |                       |
|---|-----------------------|
| 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<br>For Advancement of IMSA | Ms. Catherine C. Veal |

Agency Offices are located at:

1500 W. Sullivan Road  
Aurora, Illinois 60506-1000

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

The audit of the accompanying financial statements of the IMSA Fund for Advancement of Education was performed by De Raimo Hillger & Ripp, CPAs.

Based on their audit, the auditors expressed an unqualified opinion on the agency's basic financial statements.

# DE RAIMO HILLGER & RIPP

Certified Public Accountants & Business Consultants

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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 AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

And

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the 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 June 30, 2004, which collectively comprise the IMSA Fund for Advancement of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois IMSA Fund for Advancement of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note B, the financial statements of the State of Illinois IMSA Fund for Advancement of Education are intended to present the financial position and changes in financial position of only that portion of the governmental activities and fund information of the State that is attributable to the transactions of the State of Illinois IMSA Fund for Advancement of Education. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2005 and June 30, 2004, and its changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of the State of Illinois IMSA Fund for Advancement of Education, as of June 30, 2005 and June 30, 2004, and the respective changes in financial position thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2005 on our consideration of the State of Illinois 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 7 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*De Raimo Hillger & Ripp*

November 8, 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

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

Honorable William G. Holland  
Auditor General  
State of Illinois

And

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

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 June 30, 2004, and have issued our report thereon dated November 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the State of Illinois IMSA Fund for Advancement of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited 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 the internal control over financial reporting and its operation that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of Illinois IMSA Fund for Advancement of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2005 and 2004

The purpose of this analysis is to provide an objective and easy-to-read analysis of 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 the management and should be read in conjunction with the footnotes as a complete financial report.

**Accounting Changes**

The amounts reflected under the column heading "IMSA Fund" are on the modified accrual basis. Full accrual, as required by GASB Statement No. 34 is presented under the column heading "Statement of Net Assets/ Statement of Activities". For the Fund, the difference between the two presentations concerns the recording of pledges receivable and prepaid expenses.

**Statement of Net Assets and Governmental Funds Balance Sheet**

The Statement of Net Assets presents the assets, liabilities, and net assets of the Fund as of the end of the fiscal year (essentially a fiscal snapshot of the Fund as of that point in time). Readers are able to determine the assets available to continue the Fund's operations as well as determine the amount the Fund owes its vendors.

Pledges Receivable

This amount reflects pledges, a voluntary nonexchange transaction, received by the Fund in the current year that meet all of the eligibility requirements under GASB Statement No. 33.

Deferred Contribution Revenue

This amount reflects contributions received by the Fund in the current year containing time restrictions for their use in subsequent years; therefore they have been reflected in the accompanying balance sheet as deferred revenue.

Net Assets

Net assets are divided into two major categories. Unrestricted net assets include amounts not subject to donor-imposed stipulation and include all of the activities of the Fund, except for those amounts that are restricted by external donors. Restricted net assets include amounts that are subject to donor-imposed stipulations. These stipulations limit the use of the resources for specific purposes.

STATE OF ILLINOIS  
 IMSA FUND FOR ADVANCEMENT OF EDUCATION  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEARS ENDED JUNE 30, 2005 and 2004

**IMSA Fund for Advancement of Education  
 Condensed Statement of Net Assets  
 June 30, 2005, 2004, and 2003**

|                               | <u>June 30, 2005</u> | <u>June 30, 2004</u> | <u>June 30, 2003</u> |
|-------------------------------|----------------------|----------------------|----------------------|
| <b>Assets:</b>                |                      |                      |                      |
| Cash and cash equivalents     | \$ 902,598           | \$1,730,686          | \$2,382,301          |
| Investments                   | 1,654,781            | 555,026              | 446,684              |
| Accounts receivable           | 113,300              | 169,754              | 165,317              |
| Pledges receivable            | 248,811              | 337,354              | 526,189              |
| Prepaid expenses              | 87                   | 2,203                | 3,998                |
| Total assets                  | <u>\$2,919,577</u>   | <u>\$2,795,023</u>   | <u>\$3,524,489</u>   |
| <b>Liabilities:</b>           |                      |                      |                      |
| Accounts payable              | 53,459               | 5,122                | 13,139               |
| Deferred contribution revenue | 35,000               | 42,373               | 150,664              |
| Total liabilities             | <u>88,459</u>        | <u>47,495</u>        | <u>163,803</u>       |
| <b>Net Assets</b>             |                      |                      |                      |
| Unrestricted net assets       | 950,809              | 906,962              | 926,883              |
| Restricted net assets         | 1,880,309            | 1,840,566            | 2,433,803            |
| Total net assets              | <u>\$2,831,118</u>   | <u>\$2,747,528</u>   | <u>\$3,360,686</u>   |

Fiscal year ended June 30, 2005 ended with an increase in net assets of \$83,590. This increase results from a strategy to increase participation through expansion of the annual giving campaign as well as an increase in investment income. This was also affected by a decrease in expenditures.

Fiscal year ended June 30, 2004 ended with a decrease in net assets of \$613,158. This decrease reflects the increase in support provided to the Illinois Mathematics and Science Academy from the IMSA Fund for Advancement of Education. Also during fiscal year 2004, the Major Gifts Initiatives campaign ended, resulting in a decrease of fundraising activities during the year. The increase in the funding of programs, combined with the decrease in fund raising activities accounts for the decrease in net assets.

**Statement of Activities of Governmental Revenues, Expenditures, and Changes in Fund Balances**

The purpose of the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balances is to present the revenues received by the Fund, both general and program, and expenses paid by the Fund.

Program revenues primarily consist of contributions to the Fund and registration fees. General revenues consist of unrestricted contributions, investment income and other receipts. Expenses consist of expenses paid to support and carry out the mission of the Fund.

STATE OF ILLINOIS  
 IMSA FUND FOR ADVANCEMENT OF EDUCATION  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEARS ENDED JUNE 30, 2005 and 2004

**IMSA Fund for Advancement of Education  
 Condensed Statement of Activities  
 For the Years Ended June 30, 2005, 2004 and 2003**

|                                | <u>June 30, 2005</u> | <u>June 30, 2004:</u> | <u>June 30, 2003</u> |
|--------------------------------|----------------------|-----------------------|----------------------|
| Total expenditures/expenses    | \$ 897,737           | \$1,528,724           | \$1,323,876          |
| Program revenues               |                      |                       |                      |
| Contributions                  | 622,435              | 676,625               | 1,324,939            |
| Investment income              | (254)                | (416)                 | 0                    |
| Registration fees              | 0                    | 0                     | 875                  |
| Total program revenues         | <u>622,181</u>       | <u>676,209</u>        | <u>1,325,814</u>     |
| Net program revenues           | <u>(275,556)</u>     | <u>(852,515)</u>      | <u>1,938</u>         |
| General revenues               |                      |                       |                      |
| Contributions                  | 255,573              | 166,828               | 157,981              |
| Investment income              | 86,599               | 49,462                | 84,513               |
| Other revenue                  | 16,974               | 23,067                | 264                  |
| Total general revenues         | <u>359,146</u>       | <u>239,357</u>        | <u>242,758</u>       |
| Change in net assets           | 83,590               | (613,158)             | 244,696              |
| Net assets – beginning of year | <u>2,747,528</u>     | <u>3,360,686</u>      | <u>3,115,990</u>     |
| Net assets – end of year       | <u>\$2,831,118</u>   | <u>\$2,747,528</u>    | <u>\$3,360,686</u>   |

Contributions

The total contributions received by the IMSA Fund for Advancement of Education during fiscal year 2005 increased 4.10% from fiscal year 2004. This increase was due to the Fund's strategy to develop an annual campaign.

The total contributions received by the IMSA Fund for Advancement of Education during fiscal year 2004 decreased 43.12% from fiscal year 2003 due to the end of the Major Gifts Initiatives campaign.

Investment Income

Investment income (not including unrealized gains and losses) increased by 13.07% from fiscal year 2004 to fiscal year 2005, due to an increase in investments and cash and cash equivalent balances. Realized and unrealized gains on investments were \$39,250 for fiscal year 2005.

Investment income (not including unrealized gains and losses) decreased by 53.90% from fiscal year 2003 to fiscal year 2004, due to a decrease in investments and cash and cash equivalent balances. Realized and unrealized gains on investments were \$16,348 for fiscal year 2004.

STATE OF ILLINOIS  
IMSA FUND FOR ADVANCEMENT OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2005 and 2004

Expenses

Management, general and fundraising expenses increased from \$65,684 in fiscal year 2004 to \$120,723 in fiscal year 2005. This \$55,039 increase (83.79%) is the result of increased staffing in management and operations.

Management, general and fundraising expenses increased from \$56,745 in fiscal year 2003 to \$65,684 in fiscal year 2004. This \$8,939 increase (15.75%) is the result of a new coordinator of annual giving position. The Fund is attempting to increase its fundraising abilities and therefore its giving opportunities.

The Fund disbursed \$741,475, \$1,353,967, and \$1,098,387 in fiscal years 2005, 2004 and 2003, respectively in direct support to the Academy. The decrease in funding is due to a return to normal funding levels for programs that were increased in 2003 and 2004.

**Economic Outlook**

The Fund is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

IMSA Fund for Advancement for Education  
 Statement of Net Assets and Governmental Funds Balance Sheet  
 June 30, 2005

|  | <u>IMSA Fund</u> | <u>Adjustments</u> | <u>Statement<br/>of<br/>Net Assets</u> |
|--|------------------|--------------------|--|
| <b>Assets:</b>                             |                  |                    |  |
| Cash and cash equivalents                  | \$ 902,598       | \$                 | \$ 902,598                             |
| Investments                                | 1,654,781        |                    | 1,654,781                              |
| Accounts receivable                        | 69,628           |                    | 69,628                                 |
| Contribution advances                      | 0                | 43,672             | 43,672                                 |
| Prepaid expenses                           | 0                | 87                 | 87                                     |
| Pledges receivable, short term             | 248,311          |                    | 248,311                                |
| Pledges receivable, long term              | 500              |                    | 500                                    |
| Total assets                               | \$ 2,875,818     | \$ 43,759          | \$ 2,919,577                           |
| <b>Liabilities:</b>                        |                  |                    |  |
| Accounts payable                           | 8,360            |                    | 8,360                                  |
| Due to IMSA                                | 45,099           |                    | 45,099                                 |
| Deferred contribution revenue              | 283,811          | (248,811)          | 35,000                                 |
| Total liabilities                          | 337,270          | (248,811)          | 88,459                                 |
| <b>Fund Balances/Net assets</b>            |                  |                    |  |
| Unrestricted net assets                    | 926,522          | 24,287             | 950,809                                |
| Restricted net assets                      | 1,612,026        | 268,283            | 1,880,309                              |
| Total fund balances/net assets             | 2,538,548        | 292,570            | \$ 2,831,118                           |
| <b>Total liabilities and fund balances</b> | \$ 2,875,818     |                    |  |

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

IMSA Fund for Advancement of Education  
Reconciliation of Governmental Funds Balance Sheet  
to Statement of Net Assets  
June 30, 2005

**Total fund balances-governmental funds** **\$ 2,538,548**

Amounts reported from governmental activities in the  
Statement of Net Assets are different because:

Prepaid expenses and contribution advances for governmental  
activities are current uses of financial resources for funds 43,759

Pledges, voluntary nonexchange transactions, are recognized  
when all eligibility requirements have been met regardless  
of the availability of the resources. 248,811

**Net assets of governmental activities** **\$ 2,831,118**

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

**IMSA Fund for Advancement for Education**  
**Statement of Net Assets and Governmental Funds Balance Sheet**  
**June 30, 2004**

|  | <u>IMSA Fund</u> | <u>Adjustments</u> | <u>Statement<br/>of<br/>Net Assets</u> |
|--|------------------|--------------------|--|
| <b>Assets:</b>                             |                  |                    |  |
| Cash and cash equivalents                  | \$ 1,730,686     | \$                 | \$ 1,730,686                           |
| Investments                                | 555,026          |                    | 555,026                                |
| Accounts receivable                        | 77,437           |                    | 77,437                                 |
| Contribution advances                      | 0                | 92,317             | 92,317                                 |
| Prepaid expenses                           | 0                | 2,203              | 2,203                                  |
| Pledges receivable, short term             | 208,354          |                    | 208,354                                |
| Pledges receivable, long term              | 129,000          |                    | 129,000                                |
| Total assets                               | \$ 2,700,503     | \$ 94,520          | \$ 2,795,023                           |
| <b>Liabilities:</b>                        |                  |                    |  |
| Accounts payable                           | 5,122            |                    | 5,122                                  |
| Deferred contribution revenue              | 379,727          | (337,354)          | 42,373                                 |
| Total liabilities                          | 384,849          | (337,354)          | 47,495                                 |
| <b>Fund Balances/Net assets</b>            |                  |                    |  |
| Unrestricted net assets                    | 904,759          | 2,203              | 906,962                                |
| Restricted net assets                      | 1,410,895        | 429,671            | 1,840,566                              |
| Total fund balances/net assets             | 2,315,654        | 431,874            | \$ 2,747,528                           |
| <b>Total liabilities and fund balances</b> | \$ 2,700,503     |                    |  |

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

IMSA Fund for Advancement of Education  
Reconciliation of Governmental Funds Balance Sheet  
to Statement of Net Assets  
June 30, 2004

**Total fund balances-governmental funds** **\$ 2,315,654**

Amounts reported from governmental activities in the  
Statement of Net Assets are different because:

Prepaid expenses for governmental activities 94,520  
are current uses of financial resources for funds

Pledges, voluntary nonexchange transactions, are recognized  
when all eligibility requirements have been met regardless  
of the availability of the resources. 337,354

**Net assets of governmental activities** **\$ 2,747,528**

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



IMSA Fund for Advancement of Education  
 Statement of Activities of Governmental Revenues,  
 Expenditures, and Changes in Fund Balances  
 For the Year Ended June 30, 2005

|   | <u>IMSA Fund</u>    | <u>Adjustments</u>  | <u>Statement<br/>of Activities</u> |
|---|---------------------|---------------------|------------------------------------|
| Expenditures/expenses:                          |                     |                     |                                    |
| Education services                              | \$ 726,253          | 50,761              | \$ 777,014                         |
| Management and general                          | 91,612              |                     | 91,612                             |
| Fundraising                                     | 29,111              |                     | 29,111                             |
| Total expenditures/expenses                     | <u>846,976</u>      | <u>50,761</u>       | <u>897,737</u>                     |
| Program revenues:                               |                     |                     |                                    |
| Contributions                                   | 710,978             | (88,543)            | 622,435                            |
| Net gains(losses) on investments                | (254)               |                     | (254)                              |
| Total program revenues                          | <u>710,724</u>      | <u>(88,543)</u>     | <u>622,181</u>                     |
| Net program revenues                            | <u>(136,252)</u>    | <u>(139,304)</u>    | <u>(275,556)</u>                   |
| General revenues:                               |                     |                     |                                    |
| Contributions                                   | 255,573             |                     | 255,573                            |
| Investment income                               | 47,095              |                     | 47,095                             |
| Net gains (losses) on investments               | 39,504              |                     | 39,504                             |
| Other revenues                                  | 16,974              |                     | 16,974                             |
| Total general revenues                          | <u>359,146</u>      | <u>0</u>            | <u>359,146</u>                     |
| Change in fund balance/net assets               | 222,894             | \$ <u>(139,304)</u> | 83,590                             |
| Fund Balance/net assets - beginning of the year | <u>2,315,654</u>    |                     | <u>2,747,528</u>                   |
| Fund Balance/net assets - end of the year       | \$ <u>2,538,548</u> |                     | \$ <u>2,831,118</u>                |

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

IMSA Fund for Advancement of Education  
Reconciliation of Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to Statement of Activities  
For the Year Ended June 30, 2005

|   |                         |
|---|-------------------------|
| <b>Net changes in fund balances</b>   | \$ 222,894              |
| Revenues and expenses in the Statement of Net Assets are not reported as revenues and expenses until they have occurred   | (50,761)                |
| Revenue for pledges, voluntary nonexchange transactions, are recognized when all the eligibility requirements have been met regardless of the availability of resources for the Statement of Activities | (88,543)                |
|   | <hr/>                   |
| <b>Change in net assets</b>   | <b>\$ <u>83,590</u></b> |

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

IMSA Fund for Advancement of Education  
 Statement of Activities of Governmental Revenues,  
 Expenditures, and Changes in Fund Balances  
 For the Year Ended June 30, 2004

|   | <u>IMSA Fund</u>    | <u>Adjustments</u>  | <u>Statement<br/>of Activities</u> |
|---|---------------------|---------------------|------------------------------------|
| <b>Expenditures/expenses:</b>                   |                     |                     |                                    |
| Education services                              | \$ 1,448,894        | \$ 14,146           | 1,463,040                          |
| Management and general                          | 27,684              |                     | 27,684                             |
| Fundraising                                     | 38,000              |                     | 38,000                             |
| Total expenditures/expenses                     | <u>1,514,578</u>    | <u>14,146</u>       | <u>1,528,724</u>                   |
| <b>Program revenues:</b>                        |                     |                     |                                    |
| Contributions                                   | 865,460             | (188,835)           | 676,625                            |
| Net gains(losses) on investments                | <u>(416)</u>        |                     | <u>(416)</u>                       |
| Total program revenues                          | <u>865,044</u>      | <u>(188,835)</u>    | <u>676,209</u>                     |
| Net program revenues                            | <u>(649,534)</u>    | <u>(202,981)</u>    | <u>(852,515)</u>                   |
| <b>General revenues:</b>                        |                     |                     |                                    |
| Contributions                                   | 166,828             |                     | 166,828                            |
| Investment income                               | 33,114              |                     | 33,114                             |
| Net gains (losses) on investments               | 16,348              |                     | 16,348                             |
| Other revenues                                  | <u>23,067</u>       |                     | <u>23,067</u>                      |
| Total General revenues                          | <u>239,357</u>      | <u>0</u>            | <u>239,357</u>                     |
| Change in fund balance/net assets               | (410,177)           | \$ <u>(202,981)</u> | (613,158)                          |
| Fund Balance/net assets - beginning of the year | <u>2,725,831</u>    |                     | <u>3,360,686</u>                   |
| Fund Balance/net assets - end of the year       | \$ <u>2,315,654</u> |                     | \$ <u>2,747,528</u>                |

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

IMSA Fund for Advancement of Education  
Reconciliation of Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to Statement of Activities  
For the Year Ended June 30, 2004

|   |                     |
|---|---------------------|
| <b>Net changes in fund balances</b>   | \$ (410,177)        |
| Revenues and expenses in the Statement of Net Assets are not reported as revenues and expenses until they have occurred   | (14,146)            |
| Revenue for pledges, voluntary nonexchange transactions, are recognized when all the eligibility requirements have been met regardless of the availability of resources for the Statement of Activities | <u>(188,835)</u>    |
| <b>Change in net assets</b>   | <u>\$ (613,158)</u> |

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

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE A—ORGANIZATION**

The IMSA Fund for Advancement of Education (IMSA 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 IMSA Fund's primary program service. Funding for this program service is primarily derived from contributions from various individuals, corporate and foundation donors located primarily within the United States.

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

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

**1. Financial Reporting Entity**

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

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

Based upon the required criteria, the IMSA Fund has no component units and is not a component unit of any other entity. GASB Statement No. 39, implemented by the State, provides criteria for determining whether certain organizations should be restricted as component units based on the nature and significance of their relationship with a primary government. The State of Illinois IMSA Fund for Advancement of Education, which is a component unit of the State of Illinois, is combined and discretely presented on the State of Illinois' financial statements.

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**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Financial Reporting Entity (Continued)**

Because IMSA Fund is not legally separate from the State of Illinois, the financial statements of IMSA Fund are included in the financial statements of the State of Illinois. The State of Illinois Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, IL 62704-1871.

**2. Basis of Presentation**

The financial activities of IMSA Fund are reported under the general government function in the Illinois Annual Report published by the State Comptroller. For its reporting purposes, IMSA Fund has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. A brief description of IMSA Fund's government-wide and fund financial statements is as follows:

**Government-wide Statements:** The government-wide statement of net assets and statement of activities report the overall financial activity of the IMSA Fund. Eliminations have been made to minimize the double counting of internal activities of IMSA Fund. The financial activities of IMSA Fund consist of contributions to support its programs for the Academy.

The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e., general government) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about IMSA Fund's funds. IMSA Fund only has one fund. This fund is non-appropriated and locally-held.

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**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Basis of Accounting**

The government-wide fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which IMSA Fund gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants, contribution pledges, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other funding sources.

Significant revenue sources including registration fees, contributions, investment income and miscellaneous revenues are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**4. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and cash in banks, as well as money market funds held in an investment account in the name of IMSA Fund for Advancement of Education.

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**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 investment risks: credit risk, interest rate risk, and foreign currency risk. Accordingly, these disclosures have been made in Note C – Deposits and Investments.

**6. Fund Balances**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for specific purposes.

**7. Net Assets**

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

**Restricted**—this consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, and then unrestricted resources when they are needed.

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

**8. Use of Estimates**

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

**NOTE C—DEPOSITS AND INVESTMENTS**

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. IMSA Fund independently manages its cash and cash equivalents maintained outside the State Treasury.



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**NOTE C—DEPOSITS AND INVESTMENTS (Continued)**

Cash on deposit and cash on hand for locally held funds had a carrying amount of \$721,000 and \$513,088 and a bank balance of \$767,556 and \$513,131 at June 30, 2005, and 2004, respectively. Of the total bank balances, \$100,000 was insured through the Federal Depository Insurance Corporation (FDIC). Of the remaining balances, \$500,000 and \$413,131, respectively were collateralized with pooled securities held by the financial institution's trust department and the remaining balances of \$167,556 and \$0, respectively were uninsured and uncollateralized. The pledge securities were held in the name of IMSA Fund for the Advancement of Education.

Additional money market funds (cash equivalents) for locally held funds held in an investment account had a carrying amount and fair market value of \$181,598 and \$1,217,598 at June 30, 2005 and 2004 respectively. Of the total account balance, \$0 is insured through the Federal Depository Insurance Corporation (FDIC).

Cash on hand at June 30, 2005 and 2004 totaled \$200 and \$200, respectively.

Investments at June 30, 2005 consisted of the following managed funds:

**Investment Maturities (in Years)**

| <u>Investment Type</u>      | <u>Fair Value</u>  | <u>No Maturity Date</u> | <u>Less Than 1</u> | <u>1 - 5</u>      | <u>6 - 10</u>     |
|-----------------------------|--------------------|-------------------------|--------------------|-------------------|-------------------|
| Corporate Debt Securities   | \$ 957,603         | \$ 0                    | \$ 0               | \$ 422,787        | \$ 534,816        |
| Corporate Equity Securities | 569,819            | 569,819                 | n/a                | n/a               | n/a               |
| U.S. Treasuries             | <u>127,359</u>     | <u>0</u>                | <u>0</u>           | <u>49,576</u>     | <u>77,783</u>     |
| Total                       | <u>\$1,654,781</u> | <u>\$ 569,819</u>       | <u>\$ 0</u>        | <u>\$ 472,363</u> | <u>\$ 612,599</u> |

Investments at June 30, 2004 consisted of the following managed funds:

**Investment Maturities (in Years)**

| <u>Investment Type</u>      | <u>Fair Value</u> | <u>No Maturity Date</u> | <u>Less Than 1</u> | <u>1 - 5</u>     | <u>6 - 10</u>     |
|-----------------------------|-------------------|-------------------------|--------------------|------------------|-------------------|
| Corporate Debt Securities   | \$ 274,118        | \$ 0                    | \$ 0               | \$ 98,571        | \$ 175,547        |
| Corporate Equity Securities | <u>280,908</u>    | <u>280,908</u>          | n/a                | n/a              | n/a               |
| Total                       | <u>\$ 555,026</u> | <u>\$ 280,908</u>       | <u>\$ 0</u>        | <u>\$ 98,571</u> | <u>\$ 175,547</u> |

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**NOTE C—DEPOSITS AND INVESTMENTS (Continued)**

The Fund's investments at June 30, 2005 and 2004 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.

Net gains (losses) on investments consist of the following:

|   | <u>2005</u>      | <u>2004</u>      |
|---|------------------|------------------|
| Net realized gains (losses) on disposition of investments | \$ (8,019)       | \$ 1,445         |
| Net unrealized gains (losses)                             | <u>47,269</u>    | <u>14,487</u>    |
| Total net gains (losses) on investments                   | <u>\$ 39,250</u> | <u>\$ 15,932</u> |

IMSA Fund's investment policy precludes the Fund from investing in bonds with a credit rating of less than A by the Standard & Poor's. As of June 30, 2005, the Fund's investments in corporate debt securities were rated A to AAA.

| <b>Standard &amp; Poor's<br/>Rating</b> | <b><u>2005 Fair<br/>Market Value</u></b> | <b><u>2004 Fair<br/>Market Value</u></b> |
|---|--|--|
| AAA                                     | \$ 49,189                                | \$ 49,194                                |
| AA                                      | 151,758                                  | 0  |
| A+                                      | 125,995                                  | 51,388                                   |
| A                                       | <u>630,661</u>                           | <u>173,536</u>                           |
| Total                                   | <u>\$ 957,603</u>                        | <u>\$ 274,118</u>                        |

**NOTE D—RECEIVABLES**

Accounts receivable are expected to be collected within one year; therefore an allowance for doubtful accounts has not been calculated.

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. Pledges are shown net of estimated uncollectible pledges of \$36,247 and do not include conditional pledges totaling \$120,000. At June 30, 2005 and 2004, pledges receivable were \$248,811 and \$337,354, respectively. Of this amount \$248,311 will be received during the year ended June 30, 2005, and \$500 will be received during the year ending June 30, 2006.

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**NOTE E—DEFERRED CONTRIBUTION REVENUE**

In accordance with GASB Statement No. 33, contributions received in the current year containing time restrictions for their use in subsequent years have been reflected in the accompanying financial statements as deferred revenue. At June 30, 2005 and 2004, deferred contribution revenues were \$35,000 and \$42,373, respectively. Of this amount, \$25,000 is to be used during the year ended June 30, 2006.

**NOTE F—RELATED PARTY TRANSACTIONS**

Effective July 1, 1995, IMSA 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 IMSA 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. 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 the IMSA 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 IMSA Fund. As long as the Academy receives direct or indirect program support from the IMSA Fund, which is greater than the fundraising costs the Academy incurs on behalf of IMSA Fund, no reimbursement shall occur. If in any fiscal year those fundraising costs are greater than the program support provided to the Academy, IMSA Fund will reimburse the Academy for the excess of the fundraising costs over program support provided. For fiscal year 2005 and 2004, total program support provided to the Academy by IMSA Fund was \$741,475 and \$1,353,967, respectively. This amount exceeds the total fundraising cost incurred by the Academy for IMSA Fund of approximately \$81,411 and \$96,884, respectively.

The Academy's financial statements exclude the financial activity reported in IMSA Fund's financial statements except for amounts given to the Academy to support personnel costs which are processed through the State's payroll system, amounts donated to the Academy for Academy-administered programs, and equipment donations and purchases reflected in the Academy's capital asset balances. The amounts of equipment donations and purchases made to or by IMSA Fund for the Academy were \$25,871 and \$11,600, respectively.

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**NOTE F—RELATED PARTY TRANSACTIONS (Continued)**

At June 30, 2005 and 2004, accounts payable due to the Academy included \$45,099 and \$0, respectively. At June 30, 2005 and 2004, accounts receivable due from the Academy included \$69,628 and \$77,437, respectively.

At June 30, 2005 and 2004, contribution advances included \$43,672 and \$92,317 due from the Academy, respectively.

Other Related Parties

IMSA Fund recognized contribution revenue from members of the IMSA Fund Board of Trustees and the Board of Trustees of the Academy and those members' affiliated corporations and foundations in the amount of \$113,510 and \$150,279 during the years ended June 30, 2005 and 2004, respectively. Unrecorded in-kind contributions were \$0 and \$0 in both years.

**NOTE G—CONTINGENCIES—GRANTS**

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

**NOTE H—INCOME TAXES**

IMSA Fund for Advancement of Education is a non-profit organization, which has been granted a tax-exempt status as a public charity under Section 501(c)(3) of the Internal Revenue Code. IMSA Fund is required to pay federal and state income taxes only on its net unrelated business income. No provision for income taxes was required for the years ended June 30, 2005 and 2004.