

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination

For the Years Ended June 30, 2007 and 2006

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
 FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
 For the Years Ended June 30, 2007 and 2006

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IMSA FUND FOR ADVANCEMENT OF EDUCATION
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IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
For the Years Ended June 30, 2007 and 2006

AGENCY OFFICIALS

Vice President for Advancement Illinois Mathematics and Science Academy, Secretary, IMSA Fund (5/01/07 - Current)	Ms. Suzyn M. Price
Vice President for Advancement Illinois Mathematics and Science Academy, Secretary, IMSA Fund (Resigned 5/01/07)	Ms. Catherine C. Veal
Director of Operations for Advancement and IMSA Fund (11/12/2007 – Current)	Mr. Thomas Walter
Director of Operations for Advancement and IMSA Fund (7/24/07 – 11/12/2007)	Vacant
Director of Operations for Advancement and IMSA Fund (Resigned 7/24/07)	Ms. Lois Harris

BOARD OF DIRECTORS

President (9/01/06 - Current)	Mr. Gregory K. Jones
President (7/01/04 - 8/31/06)	Mr. Michael J. Birck
Vice President (5/01/07 – Current)	Mr. John Hoesley
Vice President (9/01/06 – 4/30/07)	Mr. William J. White
Vice President (7/01/04 - 8/31/06)	Mr. Gregory K. Jones
Treasurer (11/01/05 - Current)	Mr. John Hoesley
Treasurer (7/01/04 - 10/31/05)	Dr. Nandu Thondavadi
Secretary (5/01/07 – Current)	Ms. Suzyn M. Price
Secretary (Resigned 5/01/07)	Ms. Catherine C. Veal

Directors

Ms. Pamela Blackwell	Ms. Jean K. Holley	Mr. Michael Sloan
Mr. Ronald Bullock	Ms. Chelsy A. Hopper	Ms. Bonnie Stoufer
Mr. G. Thomas Castino	Mr. Herbert B. Knight	Mr. Jarvis Yeh
Mr. Benjamin Chelf	Mr. Fidel Marquez, Jr.	Ms. Marlene Young-Peel
Mr. Martin J. DiMarzio	Ms. Stephanie Pace Marshall	
Ms. Vanessa C. Gage	Mr. James D. Pearson	

Agency Offices are located at:

1500 W. Sullivan Road
Aurora, Illinois 60506 –1000



Honorable William G. Holland
 Auditor General
 Iles Park Plaza
 740 E. Ash
 Springfield, IL 62703-3154

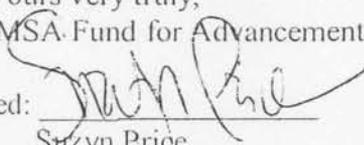
June 30, 2008

Dear Mr. Holland:

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 (Fund). 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, 2007. Based on this evaluation, we assert that during the years ended June 30, 2007 and June 30, 2006, the Fund has materially complied with the assertions below.

- A. The Fund has obligated, expended, received and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The 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 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. Money or negotiable securities or similar assets handled by the Fund 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

Signed: 
 Stizyn Price

Signed: 
 Thomas G. Walter

Title: Vice President for Advancement
 Illinois Math & Science Academy
 Secretary, IMSA Fund

Title: Director of Operations for Advancement
 and IMSA Fund

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
 For the Years Ended June 30, 2007 and 2006

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANTS' REPORT

The Independent Accountants' Report on State Compliance, 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</u>	<u>Prior</u>
Findings	Report	Report
Repeated findings	2	0
Prior recommendations implemented or not repeated	0	0

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 (<i>GOVERNMENT AUDITING STANDARDS</i> and STATE COMPLIANCE)		
07-1	12	Noncompliance with Investment Policy
FINDINGS (STATE COMPLIANCE)		
07-2	15	Lack of Conflict of Interest Disclosure Statements
PRIOR FINDINGS NOT REPEATED (<i>GOVERNMENT AUDITING STANDARDS</i> and STATE COMPLIANCE)		
	17	No Findings were noted in the prior report.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
For the Years Ended June 30, 2007 and 2006

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Fund personnel at an exit conference on June 10, 2008. Attending were:

IMSA Fund for Advancement of Education

Suzyn M. Price	Vice President for Advancement
Thomas Walter	Director of IMSA Fund Business Services
Jane Overstreet	IMSA Fund Bookkeeper
Paul Malina	Consultant

Office of the Auditor General

Candice Long	Audit Manager
Jose G. Roa	Audit Supervisor
Christa Zekany	Staff Auditor

Responses to the recommendations were provided by Thomas Walter, Director of IMSA Fund Business Services, in correspondence dated June 10, 2008.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

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

And

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

Compliance

We have examined the IMSA Fund for Advancement of Education's (a component unit of the State of Illinois) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2007. The management of the IMSA Fund for Advancement of Education is responsible for compliance with these requirements. Our responsibility is to express an opinion on the IMSA Fund for Advancement of Education's compliance based on our examination.

- A. The IMSA Fund for Advancement of Education has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The IMSA Fund for Advancement of Education has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The IMSA Fund for Advancement of Education has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The revenues and receipts collected by the IMSA Fund for Advancement of Education are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the IMSA Fund for Advancement of Education or held in trust by the IMSA Fund for Advancement of Education have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

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

In our opinion, the IMSA Fund for Advancement of Education complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2007. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 07-1 and 07-2.

Internal Control

The management of the IMSA Fund for Advancement of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the IMSA Fund for Advancement of Education's internal control over compliance with the requirements listed in the first paragraph of this report 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, but not for the purpose of expressing an opinion on the effectiveness of the IMSA Fund for Advancement of Education's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the IMSA Fund for Advancement of Education's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 7-1 and 7-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings to be material weaknesses.

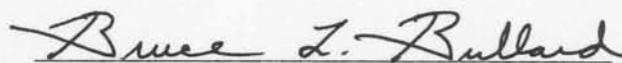
As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter.

The IMSA Fund for Advancement of Education's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the IMSA Fund for Advancement of Education's responses and, accordingly, we express no opinion on them.

Supplementary Information for State Compliance Purposes

We have audited the financial statements of the governmental activities and fund information of the IMSA Fund for Advancement of Education as of and for the years ended June 30, 2006 and June 30, 2007, which collectively comprise the IMSA Fund for Advancement of Education's basic financial statements, and have issued our report thereon dated June 30, 2008. 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 IMSA Fund for Advancement of Education. The 2006 and 2007 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, 2006 and June 30, 2007, taken as a whole. The 2005 comparative information has been derived from the IMSA Fund for Advancement of Education's basic financial statements as of and for the year ended June 30, 2005, which were audited by other auditors who expressed unqualified opinions on the basic financial statements in their report dated November 8, 2005.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Fund management and the IMSA Fund for Advancement of Education's Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.



Bruce L. Bullard, CPA

Director of Financial and Compliance Audits

June 30, 2008

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

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

We have audited the financial statements of the governmental activities and the fund information of the IMSA Fund for Advancement of Education (a component unit of the State of Illinois) as of and for the year ended June 30, 2007, which collectively comprise the IMSA Fund for Advancement of Education's basic financial statements and have issued our report thereon dated June 30, 2008. 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 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 for the purpose of expressing an opinion on the effectiveness of the IMSA Fund for Advancement of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the IMSA Fund for Advancement of Education's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control

over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting as detailed in finding 07-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

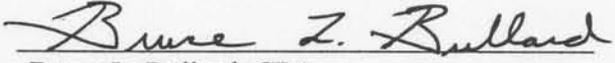
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

IMSA Fund for Advancement of Education's response to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit IMSA Fund for Advancement of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Fund management, and the IMSA Fund for Advancement of Education's Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.


Bruce L. Bullard, CPA
Director of Financial and Compliance Audits

June 30, 2008

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS
(GOVERNMENT AUDITING STANDARDS)
(STATE COMPLIANCE)
 For the Years Ended June 30, 2007 and 2006

07-1. **FINDING** (Noncompliance with Investment Policy)

The IMSA Fund for Advancement of Education (Fund) did not maintain investments within the allocation parameters stipulated in their investment policy. The Fund maintains three primary types of assets – unrestricted, restricted, and endowment funds – with each type of asset being kept in three different types of investment accounts.

During testing, we noted 5 of the 9 (56%) investment accounts were not within required parameters as of June 30, 2007. Below are charts showing the asset allocations of the three primary types of assets:

Unrestricted:

Type	Account Balances 6/30/07	Percentage	Policy Parameters	Within Parameters
Fixed Income	30,369	2%	0% - 20%	Yes
Equity	1,328,220	92%	60% - 80%	No
Cash/MM/Tbills	78,627	6%	10% - 30%	No
	1,437,216	100%		

Restricted:

Type	Account Balances 6/30/07	Percentage	Policy Parameters	Within Parameters
Fixed Income	744,712	64%	60% - 80%	Yes
Equity	365,126	31%	0% - 40%	Yes
Cash/MM/Tbills	54,587	5%	20% -30%	No
	1,164,425	100%		

IMSA FUND FOR ADVANCEMENT OF EDUCATION
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SCHEDULE OF FINDINGS
(GOVERNMENT AUDITING STANDARDS)
(STATE COMPLIANCE)
 For the Years Ended June 30, 2007 and 2006

Endowment:

Type	Account Balances 6/30/07	Percentage	Policy Parameters	Within Parameters
Fixed Income	40,035	10%	0% - 20%	Yes
Equity	302,211	74%	80% - 90%	No
Cash/MM/Tbills	66,981	16%	0% - 10%	No
	<u>409,227</u>	<u>100%</u>		

The Fund's investment policy states that Fund investments will follow guidelines for diversification, asset allocation, performance standards and quality. The parameters for the required asset allocations are included in the charts above.

Fund personnel stated the investment accounts were not corrected since May as a result of the departure of the former Director of IMSA Fund Business Services and Business Manager. Fund personnel further stated that when the Fund became aware of the situation they began creating a new system to ensure that accounts at the end of each month are within the investment parameters. The new system will automatically compute the required parameters and compute any necessary amounts that will need to be transferred to correct deficiencies.

Failure to maintain investment asset allocations within required parameters is a violation of the Fund's investment policy and may prevent the Fund from receiving the maximum return on its investments or expose the Fund's assets to more risk than is allowed by policy. (Finding Code No. 07-1)

RECOMMENDATION

We recommend the Fund work to maintain their investment portfolio within the parameters set in their investment policy.

FUND RESPONSE

Fund management agrees with the finding. Upon hiring of the new Director of IMSA Fund Business Services in November 2007, the internal controls for compliance with investment policy underwent review. Fund management redesigned the analytical spreadsheet to ensure compliance. Upon completion of an analytical review, a wire

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS
(GOVERNMENT AUDITING STANDARDS)
(STATE COMPLIANCE)
For the Years Ended June 30, 2007 and 2006

FUND RESPONSE (continued)

transfer totaling over \$113,000 was processed and sent to the Funds investments accounts. This wire transfer allowed the Fund to be in compliance with its investment policy. Updated internal controls regarding compliance with the investment policy have been implemented and the internal control procedure has been documented and communicated to the Fund staff. Monthly reviews of investments are performed to ensure compliance with investment policy and are sent to both the Finance Committee Chair and to the Fund's investment advisor. The investment advisor reviews the sheet to make sure the investment portfolio is valued and invested within the defined policy definitions.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS
(STATE COMPLIANCE)
For the Years Ended June 30, 2007 and 2006

07-2. **FINDING** (Lack of conflict of interest disclosure statements)

The IMSA Fund for Advancement of Education (Fund) did not properly maintain disclosure statements regarding potential conflicts of interest on file for the Board of Directors during the FY07 period. The Fund had 21 Board of Directors that served during the FY07 period.

- Eight of 21 (38%) Board of Directors' disclosure statements could not be located for the FY07 period. Of the eight, the Fund was able to obtain replacement statements for two Board of Directors after FY07.
- Three of 21 (14%) Board of Directors did not file their disclosure statements prior to the end of FY07. These statements were later obtained by the Fund.

The IMSA Fund By-laws state that on an annual basis members of the Board of Directors shall sign a statement disclosing relevant financial interests which may represent a potential conflict of interest.

Fund management stated that during FY07 the disclosure statements regarding potential conflicts of interest were misfiled due to oversight. However, all current board members have statements on file for FY08.

Failure to have signed disclosure statements on file regarding potential conflicts of interest for the Board of Directors is a violation of Fund By-laws and increases the risk that the Fund would not be aware of potential conflicts of interest that may require disclosure in the financial statements. (Finding Code No. 07-2)

RECOMMENDATION

We recommend the Fund implement controls to ensure that annually members of the Board of Directors have signed disclosure statements regarding potential conflicts of interest on file in accordance with the Fund's By-laws.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
SCHEDULE OF FINDINGS
(STATE COMPLIANCE)
For the Years Ended June 30, 2007 and 2006

FUND RESPONSE

Fund management agrees with the finding. New internal controls regarding the processing of the Conflict of Interest Disclosure Statements have been implemented and the internal control procedure has been documented and communicated to the Advancement Office Staff.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
PRIOR FINDINGS NOT REPEATED
For the Years Ended June 30, 2007 and 2006

Prior Findings Not Repeated - (Government Auditing Standards)

There were no prior *Government Auditing Standards* findings for the IMSA Fund for Advancement of Education.

Prior Findings Not Repeated – (State Compliance)

There were no prior State Compliance findings for the IMSA Fund for Advancement of Education

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
For the Years Ended June 30, 2007 and 2006

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the IMSA Fund for Advancement of Education was performed by the staff of the Office of the Auditor General.

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

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

And

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

We have audited the accompanying financial statements of the governmental activities and the fund information 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, 2007 and June 30, 2006, 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 IMSA Fund for Advancement of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

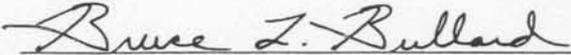
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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.

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 IMSA Fund for Advancement of Education, as of June 30, 2007 and 2006, 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 June 30, 2008 on our consideration of the IMSA Fund for Advancement of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 *Management's Discussion and Analysis* on pages 21 through 24 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.

The IMSA Fund for the Advancement of Education has not presented budgetary comparison information that the accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.


Bruce L. Bullard, CPA
Director of Financial and Compliance Audits

June 30, 2008

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 Fund 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, treated as voluntary nonexchange transactions, received by the Fund in the current year, which 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 stipulations 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.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Net Assets

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
<u>Assets:</u>			
Cash and Cash Equivalents	\$ 783,095	\$ 1,173,023	\$ 902,598
Investments	2,860,345	1,813,252	1,654,781
Accounts Receivable	32,008	63,864	113,300
Pledges Receivable	143,149	91,054	248,811
Prepaid Expenses	<u>4,183</u>	<u>1,239</u>	<u>87</u>
Total Assets	<u>\$ 3,822,780</u>	<u>\$ 3,142,432</u>	<u>\$ 2,919,577</u>
<u>Liabilities:</u>			
Accounts Payable	\$ 19,610	\$ 17,802	\$ 53,459
Deferred Contribution Revenue	<u>0</u>	<u>25,000</u>	<u>35,000</u>
Total Liabilities	<u>\$ 19,610</u>	<u>\$ 42,802</u>	<u>\$ 88,459</u>
<u>Net Assets:</u>			
Unrestricted	\$ 1,666,504	\$ 1,398,819	\$ 950,809
Restricted	<u>2,136,666</u>	<u>1,700,811</u>	<u>1,880,309</u>
Total Net Assets	<u>\$ 3,803,170</u>	<u>\$ 3,099,630</u>	<u>\$ 2,831,118</u>

Fiscal year ended June 30, 2007 ended with an increase in net assets of \$703,540. This increase includes results of the annual giving campaign and from contributions made during the IMSA20 celebration, and contributions to the newly established endowment. Expenditures also decreased.

Fiscal year ended June 30, 2006 ended with an increase in net assets of \$268,512. This increase results from a large anonymous gift as well as execution of a strategy to increase participation in the annual campaign. Expenditures also decreased.

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

The purpose of the Statement of Activities of 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 investment income and other receipts. Expenses consist of amounts paid to support and carry out the mission of the Fund.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Activities

	For the Years ended		
	June 30, 2007	June 30, 2006	June 30, 2005
Total Expenditures/Expenses	\$ 957,830	\$ 941,423	\$ 897,737
Program Revenues			
Contributions	1,153,553	932,932	878,008
Investment Income (Loss)	589	320	(254)
Registration Fees	9,258	7,405	16,974
Total Program Revenues	1,163,400	940,657	894,728
Net Program Revenues	205,570	(766)	(3,009)
General Revenues			
Operating Agreement with Academy	208,807	158,449	0
Investment Income	289,163	110,829	86,599
Total General Revenues	497,970	269,278	86,599
Change in Net Assets	703,540	268,512	83,590
Net Assets – Beginning of Year	3,099,630	2,831,118	2,747,528
Net Assets – End of Year	\$ 3,803,170	\$ 3,099,630	\$ 2,831,118

Contributions

The total contribution received by the Fund increased 23.65% from the fiscal year 2006 to fiscal year 2007 due to the results of an annual giving campaign, including contributions made during IMSA20 anniversary events, and the establishment of an endowment.

The total contributions received by the Fund increased 6.26% from fiscal year 2005 to fiscal year 2006 due to the results of an annual giving campaign and a large anonymous donation.

Investment Income

Investment income (not including unrealized gains and losses) increased by 23.55% from fiscal year 2006 to fiscal year 2007, due to an increase in investments and cash and improved equity markets. Unrealized gains on investments were \$88,272 for fiscal year 2007.

Investment income (not including unrealized gains and losses) increased by 317.33% from fiscal year 2005 to fiscal year 2006, due to an increase in investments and cash and improved equity markets. Unrealized losses on investments were \$51,927 for fiscal year 2006.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses

Management, general, and fundraising expenses increased from \$242,526 in fiscal year 2006 to \$350,632 in fiscal year 2007. This \$108,106 increase (44.58%) is the result of increased expenses incurred due to the IMSA20 anniversary events and the establishment of the endowment.

Management, general and fundraising expenses increased from \$120,723 in fiscal year 2005 to \$242,526 in fiscal year 2006. This \$121,803 increase (100.89%) is the result of the Fund changing its method of accounting for non-cash resources in order to better identify resources. The estimated value of non-cash resources included in the expenses for fiscal year 2006 as provided by the Academy included personnel, office space, furnishings, equipment, utilities, and maintenance.

The Fund disbursed \$607,198, \$698,897, and \$777,014 in fiscal years 2007, 2006, and 2005 in direct support to the Academy. The decrease in funding continues a return to normal funding levels begun in 2006 after increases in 2003 and 2004 to maintain programs.

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 variables having a global effect on virtually all types of business operations.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
 June 30, 2007

	<u>IMSA Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets:			
Cash and Cash Equivalents	\$ 783,095	\$ 0	\$ 783,095
Investments	2,860,345	0	2,860,345
Accounts Receivable	27,964	0	27,964
Contribution Advances	0	4,044	4,044
Prepaid Expenses	0	4,183	4,183
Pledges Receivable, Short Term	135,149	0	135,149
Pledges Receivable, Long Term	8,000	0	8,000
Total Assets	<u>\$ 3,814,553</u>	<u>\$ 8,227</u>	<u>\$ 3,822,780</u>
Liabilities:			
Accounts Payable	\$ 5,098	\$ 0	\$ 5,098
Due to IMSA	14,512	0	14,512
Deferred Contribution Revenue	143,149	(143,149)	0
Total Liabilities	<u>\$ 162,759</u>	<u>\$ (143,149)</u>	<u>\$ 19,610</u>
Fund Balances/Net Assets			
Unreserved/Unrestricted	\$ 1,662,321	\$ 4,183	\$ 1,666,504
Reserved/Restricted, Expendable	1,984,473	147,193	2,131,666
Reserved/Restricted, Nonexpendable	5,000	0	5,000
Total Fund Balances/Net Assets	<u>\$ 3,651,794</u>	<u>\$ 151,376</u>	<u>\$ 3,803,170</u>
Total Liabilities and Fund Balances	<u>\$ 3,814,553</u>		

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

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO
STATEMENT OF NET ASSETS**
June 30, 2007

Total Fund Balances - Governmental Fund \$ 3,651,794

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 8,227

Pledges, treated as voluntary nonexchange transactions, are recognized
when all eligibility requirements have been met, regardless
of the availability of the resources. 143,149

Net Assets of Governmental Activities \$ 3,803,170

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

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
 June 30, 2006

	<u>IMSA Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets:			
Cash and Cash Equivalents	\$ 1,173,023	\$ 0	\$ 1,173,023
Investments	1,813,252	0	1,813,252
Accounts Receivable	35,496	0	35,496
Contribution Advances	0	28,368	28,368
Prepaid Expenses	0	1,239	1,239
Pledges Receivable, Short Term	61,054	0	61,054
Pledges Receivable, Long Term	30,000	0	30,000
Total Assets	<u>\$ 3,112,825</u>	<u>\$ 29,607</u>	<u>\$ 3,142,432</u>
Liabilities:			
Accounts Payable	\$ 548	\$ 0	\$ 548
Due to IMSA	17,254	0	17,254
Deferred Contribution Revenue	116,054	(91,054)	25,000
Total Liabilities	<u>\$ 133,856</u>	<u>\$ (91,054)</u>	<u>\$ 42,802</u>
Fund Balances/Net Assets			
Unreserved/Unrestricted	\$ 1,397,580	\$ 1,239	\$ 1,398,819
Reserved/Restricted	1,581,389	119,422	1,700,811
Total Fund Balances/Net Assets	<u>\$ 2,978,969</u>	<u>\$ 120,661</u>	<u>\$ 3,099,630</u>
Total Liabilities and Fund Balances	<u>\$ 3,112,825</u>		

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

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO
STATEMENT OF NET ASSETS**
June 30, 2006

Total Fund Balances - Governmental Fund \$ 2,978,969

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 29,607

Pledges, treated as voluntary nonexchange transactions, are recognized
when all eligibility requirements have been met regardless
of the availability of the resources. 91,054

Net Assets of Governmental Activities \$ 3,099,630

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

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
STATEMENT OF ACTIVITIES OF GOVERNMENTAL REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
 For the Year Ended June 30, 2007

	IMSA Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Education Services	\$ 585,818	\$ 21,380	\$ 607,198
Management and General	78,824	0	78,824
Fundraising	271,808	0	271,808
Total Expenditures/Expenses	936,450	21,380	957,830
Program Revenues:			
Contributions	1,101,458	52,095	1,153,553
Net Gains (Losses) on Investments	589	0	589
Registration Fees	9,258	0	9,258
Total Program Revenues	1,111,305	52,095	1,163,400
Net Program Revenues	174,855	30,715	205,570
General Revenues:			
Operating Agreement with Academy	208,807	0	208,807
Investment Income	115,305	0	115,305
Net Gains (Losses) on Investments	173,858	0	173,858
Total General Revenues	497,970	0	497,970
Change in Fund Balance/Net Assets	672,825	\$ 30,715	703,540
Fund Balance/Net Assets - Beginning of Year	2,978,969		3,099,630
Fund Balance/Net Assets - End of Year	\$ 3,651,794		\$ 3,803,170

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

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2007

Net Changes in Fund Balances	\$ 672,825
Revenues and Expenses in the Statement of Net Assets are not reported as revenues and expenses in the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund until they have occurred	(21,380)
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>52,095</u>
Change in Net Assets	<u><u>\$ 703,540</u></u>

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

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
**STATEMENT OF ACTIVITIES OF GOVERNMENTAL REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE**
 For the Year Ended June 30, 2006

	<u>IMSA Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Education Services	\$ 684,745	\$ 14,152	\$ 698,897
Management and General	86,752	0	86,752
Fundraising	155,774	0	155,774
Total Expenditures/Expenses	<u>927,271</u>	<u>14,152</u>	<u>941,423</u>
Program Revenues:			
Contributions	1,090,689	(157,757)	932,932
Investment Income	320	0	320
Registration Fees	7,405	0	7,405
Total Program Revenues	<u>1,098,414</u>	<u>(157,757)</u>	<u>940,657</u>
Net Program Revenues	<u>171,143</u>	<u>(171,909)</u>	<u>(766)</u>
General Revenues:			
Operating Agreement with Academy	158,449	0	158,449
Investment Income	90,300	0	90,300
Net Gains (Losses) on Investments	20,529	0	20,529
Total General Revenues	<u>269,278</u>	<u>0</u>	<u>269,278</u>
Change in Fund Balance/Net Assets	440,421	<u>\$ (171,909)</u>	268,512
Fund Balance/Net Assets - Beginning of Year	<u>2,538,548</u>		<u>2,831,118</u>
Fund Balance/Net Assets - End of Year	<u>\$ 2,978,969</u>		<u>\$ 3,099,630</u>

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

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2006

Net Changes in Fund Balances	\$ 440,421
Revenues and Expenses in the Statement of Net Assets are not reported as revenues and expenses in the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund until they have occurred	(14,152)
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>(157,757)</u>
Change in Net Assets	<u><u>\$ 268,512</u></u>

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

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

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 the IMSA Fund's primary program service. Funding for this program service is 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, but is a component unit of the State of Illinois. GASB Statement No. 39, implemented by the State, provided criteria for determining whether certain organizations should be reported as component units based on the nature and significances of their relationship with a primary government. The criteria are listed below:

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Financial Reporting Entity – (Continued)

- 1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- 2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- 3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The IMSA Fund for Advancement of Education, which was determined to be a component unit of the State of Illinois, is combined and discretely presented on the State of Illinois' financial statements. 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, Illinois 62704-1871.

2. Basis of Presentation

The financial activities of IMSA Fund are reported under the general government function in the Illinois Comprehensive Annual Financial 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.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Presentation (Continued)

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.

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.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Accounting (Continued)

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.

5. Investments

Effective July 1, 2004, the IMSA 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, then unrestricted resources when they are needed.

Unrestricted – this consists of net assets that do not meet the definition of “restricted”.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

9. Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentations.

NOTE C – DEPOSITS AND INVESTMENTS

IMSA Fund independently manages its cash and cash equivalents maintained outside the State Treasury.

Cash on deposit and cash on hand for locally held funds had a carrying amount of \$632,572 and \$986,610 and a bank balance of \$656,182 and \$1,022,847 at June 30, 2007 and 2006, respectively.

A. Deposits

Additional money market funds (cash equivalents) for locally held funds held in an investment account had a carrying amount and fair market value of \$150,523 and \$186,413 at June 30, 2007 and 2006, respectively. For purposes of the disclosure, money market funds held by investment managers are considered to be deposits, but these funds are not subject to custodial credit risk.

Cash on hand at June 30, 2007 and 2006 totaled \$200 and \$200, respectively.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure deposits may not be returned. Of the total bank balances for locally held funds, \$100,000 was insured through the Federal Depository Insurance Corporation (FDIC). Balances over \$100,000 were swept to an investment fund and collateralized with pooled securities held in the name of the financial institution and not that of the State.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The primary objective of investment activities shall be to prudently preserve and grow financial assets of the IMSA Fund. IMSA 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, 2007 consisted of the following managed funds:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		No Maturity Date	Less Than 1	1-5	6-10
Corporate Debt Securities	\$ 543,307	\$ 0	\$ 125,200	\$ 271,274	\$ 146,833
Corporate Equity	1,575,331	1,575,331	N/A	N/A	N/A
U.S. Treasuries	321,481	0	176,474	70,404	74,603
U.S. Agency Obligations	420,226	0	30,386	389,840	0
Total	<u>\$ 2,860,345</u>	<u>\$1,575,331</u>	<u>\$ 332,060</u>	<u>\$ 731,518</u>	<u>\$ 221,436</u>

Investments at June 30, 2006 consisted of the following managed funds:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		No Maturity Date	Less Than 1	1-5	6-10
Corporate Debt Securities	\$ 1,096,877	\$ 0	\$ 123,886	\$ 561,247	\$ 411,744
Corporate Equity	592,502	592,502	N/A	N/A	N/A
U.S. Treasuries	123,873	0	50,494	0	73,379
Total	<u>\$ 1,813,252</u>	<u>\$ 592,502</u>	<u>\$ 174,380</u>	<u>\$ 561,247</u>	<u>\$ 485,123</u>

The Fund's investments at June 30, 2007 and 2006 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.

	<u>2007</u>	<u>2006</u>
Net realized gains (losses) on disposition of investments	\$ 85,586	\$ 72,456
Net unrealized gains (losses)	<u>88,272</u>	<u>(51,927)</u>
Total net gains (losses) on investments	<u>\$ 173,858</u>	<u>\$ 20,529</u>

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
 June 30, 2007 and 2006

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

IMSA Fund’s investment policy precludes the Fund from investing in bonds with a credit rating of less than A by Standard & Poor’s. As of June 30, 2007, the Fund’s investments in corporate debt securities were rated A+ to AAA.

<u>Standards & Poor’s Rating</u>	<u>2007 Fair Market Value</u>	<u>Standards & Poor’s Rating</u>	<u>2006 Fair Market Value</u>
AAA	\$ 49,757	AAA	\$ 48,485
AA	73,503	AA	216,791
AA-	223,200	A+	414,148
A+	<u>196,847</u>	A	<u>417,453</u>
Total	<u>\$ 543,307</u>	Total	<u>\$ 1,096,877</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 IMSA 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.

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. The IMSA Fund currently holds no investments with substantial credit risk.

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. At June 30, 2007 and 2006, pledges receivable were \$143,149 and \$91,054, respectively. Of this amount \$135,149 will be received during the year ended June 30, 2008 and \$8,000 will be received during the year ending June 30, 2009. Pledges do not include conditional pledges totaling \$0 and \$160,000, at June 30, 2007 and 2006, respectively. Pledges are shown net of estimated uncollectible amounts.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

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, 2007 and 2006, deferred contribution revenues were \$0 and \$25,000, respectively.

NOTE F – RELATED PARTY TRANSACTIONS

Effective August 29, 1996, 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 the program support provided. For fiscal year 2007 and 2006, total program support provided to the Academy by IMSA Fund was \$607,198 and \$698,897, respectively. The total fundraising cost incurred by the Academy for the IMSA Fund was approximately \$208,807 and \$158,449 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. At June 30, 2007 and June 30, 2006, the amounts of equipment donations received and purchases made by IMSA Fund for the Academy were \$3,531 and \$3,784, respectively.

At June 30, 2007 and 2006, accounts payable due to the Academy included \$14,512 and \$17,254, respectively. At June 30, 2007 and 2006, accounts receivable due from the Academy included \$27,964 and \$35,496, respectively.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE F – RELATED PARTY TRANSACTIONS (Continued)

At June 30, 2007 and 2006, contribution advances included \$4,044 and \$28,368 due from the Academy, respectively.

Other Related Parties

IMSA Fund recognized contribution revenue from members of the IMSA Fund Board of Trustees and the Academy Board of Trustees and those members' affiliated corporations and foundations in the amount of \$177,230 and \$137,880, during the years ended June 30, 2007 and 2006, 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. A provision for income taxes was not required for the years ended June 30, 2007 and 2006.

NOTE I – DONOR RESTRICTED ENDOWMENTS

The Fund established an endowment fund during the year ended June 30, 2007. The principal of the endowment will not be expended, and is reported on the Statement of Net Assets as restricted nonexpendable net assets. As permitted by state law, a distribution from investment earnings will be made available for purposes designated by the IMSA Fund Board of Directors from the endowment fund. The only authorized disbursements for the year ended June 30, 2007 were designated for investment management fees. Any portion of the annual, distributable funds not distributed in any given year will be retained in the Endowment Fund in a pool of funds spendable in future years. The net appreciation on investments of donor-restricted endowments was \$71, which is reported as restricted expendable net assets on the Statement of Net Assets. As of June 30, 2007, a policy has not been established for the disbursement of endowment funds, such as a spending-rate or total-return policy.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE J - CHANGE IN ACCOUNTING METHOD

The Fund has changed its method for accounting for non-cash resources resulting from the operating agreement between the Fund and the Academy. The Academy provides personnel and office space to the Fund, and provides for additional costs such as equipment, utilities, and maintenance costs. Previously, the Fund had not recorded nonfinancial resources provided by the Academy. Management believes that recording these resources will provide comprehensive information necessary to represent the underlying events and conditions in the financial statements. Comparative financial statements of the prior year have been adjusted to apply the new principle retrospectively.

The Statement of Activities of Governmental Revenues, Expenditures and Changes in Fund Balance for the years ended June 30, 2007 and 2006 has been adjusted to reflect the estimated value of non-cash compensation of \$208,807 and \$158,449, respectively provided by the Academy for personnel, office space, furnishings, equipment, utilities, and maintenance.

This resulted in an increase of \$208,807 and \$158,449 in *Operating Agreement with the Academy* revenue for the years ended June 30, 2007 and 2006, respectively. It resulted in an increase of \$22,401 and \$19,423 in *Management and General* expense and an increase of \$186,406 and \$139,026 in *Fundraising* expense for the years ended June 30, 2007 and 2006, respectively. There was no effect on net assets.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE
PURPOSES**
For the Years Ended June 30, 2007 and 2006

SUMMARY

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
 - Analysis of Significant Variations in Receipts
 - Analysis of Significant Variations in Expenditures

- Analysis of Operations
 - Agency Functions and Planning Program
 - Average Number of Employees
 - Supporting Service Expenses
 - Schedule of Support Provided by the IMSA Fund to the Academy
 - Schedule of Services Provided by the Academy to IMSA Fund

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
COMPARATIVE SCHEDULE OF CASH RECEIPTS
AND
ANALYSIS OF SIGNIFICANT VARIATIONS IN CASH RECEIPTS
For the Years Ended June 30,

<u>COMPARATIVE SCHEDULE OF CASH RECEIPTS</u>	2007 <u>Receipts</u>	2006 <u>Receipts</u>	2005 <u>Receipts</u>
Unrestricted Contributions	\$ 378,957	\$ 524,661	*
Restricted Contributions	326,072	549,935	*
Restricted and Unrestricted Contributions	<u>705,029</u>	<u>1,074,596</u>	<u>\$ 959,178</u>
Unrestricted Investment Income, Net of Unrealized Gain/Loss	284,148	110,830	39,076
Restricted Interest	589	320	0
Other receipts	*	*	16,974
Permanent Endowments	5,000	0	0
Other Endowments	253,952	0	0
Endowment Income, Net of Unrealized Gain/Loss	5,015	0	0
Registration Fees	9,258	7,405	0
Silent Auction Sponsorships	8,170	0	0
Silent Auction Sales	7,036	0	0
IMSA20 Fall Ticket Sales	10,475	0	0
IMSA20 Spring Contributions	57,275	0	0
IMSA20 Spring Ticket Sales	25,990	0	0
Total Cash Receipts	<u><u>\$ 1,371,937</u></u>	<u><u>\$1,193,151</u></u>	<u><u>\$ 1,015,228</u></u>

ANALYSIS OF SIGNIFICANT VARIATIONS IN CASH RECEIPTS

Unrestricted and restricted contributions - decreased in 2007 from 2006 due to the fundraising campaign for the creation of an endowment called the Stephanie Pace Marshall Endowment to Ignite Innovation. Contributions increased in 2006 from 2005 due to the results of an annual giving campaign and a large anonymous donation.

Silent Auction and IMSA20 receipts - increased in relation to the Academy's 20th Anniversary fundraising campaign in fiscal year 2007.

Other Endowments and Endowment Income - increased primarily due to the fundraising campaign for the creation of an endowment called the Stephanie Pace Marshall Endowment to Ignite Innovation.

Permanent Endowments - increased due to the acceptance of the endowment in 2007, which endowments were not received in 2006 or 2005.

Unrestricted Investment Income and Endowment Income - increased from fiscal year 2006 to fiscal year 2007, due to an increase in investments and cash and improved equity markets. Unrealized gains on investments were \$88,272 for fiscal year 2007. Unrealized losses on investments were \$51,927 in fiscal year 2006.

*Note: Fiscal year 2005 information was presented in more general receipt categories, but fiscal year 2007 and 2006 information was broken out by receipt type.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
 For the Years Ended June 30, 2007 and 2006

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

	Year Ending June 30,		
	2007	2006	2005
Expenditures/Expenses:			
Education Services	607,198	698,897	777,014
Management and General	78,824	86,752	91,612
Fundraising	271,808	155,774	29,111
Total Expenditures/Expenses	<u>\$ 957,830</u>	<u>\$ 941,423</u>	<u>\$ 897,737</u>

Management, general, and fundraising expenses - increased from \$242,526 in fiscal year 2006 to \$350,632 in fiscal year 2007. This \$108,106 increase (44.58%) is the result of increased expenses incurred due to the IMSA20 anniversary events and the establishment of the endowment.

Management, general and fundraising expenses increased from \$120,723 in fiscal year 2005 to \$242,526 in fiscal year 2006. This \$121,803 increase (100.89%) is the result of the Fund changing its method of accounting for non-cash resources in order to better identify resources. The estimated value of non-cash resources included in the expenses for fiscal year 2006 as provided by the Academy included personnel, office space, furnishings, equipment, utilities, and maintenance.

Education Services - the Fund disbursed \$607,198, \$698,897, and \$777,014 in fiscal years 2007, 2006, and 2005 in direct support to the Academy. The decrease in funding continues a return to normal funding levels begun in 2006 after increases in 2003 and 2004 to maintain programs.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
(A Component Unit of the State of Illinois)
ANALYSIS OF OPERATIONS
For the Years Ended June 30, 2007 and 2006

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.

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
ANALYSIS OF OPERATIONS
 For the Years Ended June 30, 2007 and 2006

AVERAGE NUMBER OF EMPLOYEES

	Year Ending June 30,		
	2007	2006	2005
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 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. The expenses for fiscal year 2005 do not include additional similar type expenses paid by the Academy on behalf of IMSA Fund, but those expenses are reflected in 2007 and 2006.

	Year Ending June 30,		
	2007	2006	2005
Percent of total expenses represented by supporting services	36.61%	25.76%	13.45%

Percentage Calculation:

<u>Supporting Services Expense</u>	<u>\$ 350,632</u>	<u>\$ 242,526</u>	<u>\$ 120,723</u>
Total Expenses	\$ 957,830	\$ 941,423	\$ 897,737

IMSA FUND FOR ADVANCEMENT OF EDUCATION
 (A Component Unit of the State of Illinois)
ANALYSIS OF OPERATIONS
 For the Years Ended June 30, 2007 and 2006

SUMMARY OF ACADEMY AND IMSA FUND CONTRACT AGREEMENT

During fiscal years 2007 and 2006, the Academy engaged IMSA Fund, under contract, to provide fundraising services. 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.

SCHEDULE OF SUPPORT PROVIDED BY THE IMSA FUND TO THE ACADEMY

	Year Ending June 30,		
	2007	2006	2005
Support provided:			
Cash Given Directly to the Academy	\$ 603,667	\$ 695,113	\$ 751,143
Equipment Donations to the Academy	3,531	3,784	25,871
Total Funds Provided to the Academy	<u>\$ 607,198</u>	<u>\$ 698,897</u>	<u>\$ 777,014</u>

SCHEDULE OF SERVICES PROVIDED BY THE ACADEMY TO THE IMSA FUND

	Year Ending June 30,		
	2007	2006	2005
Services provided:			
Personal Services	\$ 186,406	\$ 139,026	\$ 75,906
Rent	12,829	8,980	5,505
Utilities	2,292	2,318	0
Equipment/Furniture Rental	2,200	2,112	0
Telephone Services	2,615	3,054	0
Maintenance Cost	2,465	2,959	0
Total	<u>\$ 208,807</u>	<u>\$ 158,449</u>	<u>\$ 81,411</u>

Note: Beginning with 2006, the IMSA Fund changed its method of accounting for non-cash resources provided by the Academy in order to better identify its resources.