

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**
June 30, 2008

ILLINOIS HIGH SCHOOL ASSOCIATION

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
 FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5
 SUPPLEMENTAL INFORMATION	
Schedule of Revenues and Expenses	13
Schedule of General and Administrative Expenses	15



Independent Auditor's Report

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Illinois High School Association

We have audited the accompanying statement of financial position of the Illinois High School Association as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois High School Association as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 13 through 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 taken as a whole.

Clifton Gunderson LLP

Peoria, Illinois
February 27, 2009

**ILLINOIS HIGH SCHOOL ASSOCIATION
STATEMENT OF FINANCIAL POSITION
June 30, 2008**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,091,875
Investment securities	1,238,548
Accounts receivable	161,807
Prepaid expenses	<u>76,297</u>

Total current assets	<u>3,568,527</u>
----------------------	------------------

PROPERTY, BUILDING, AND EQUIPMENT

	3,334,443
Less accumulated depreciation	<u>1,538,100</u>

Net property, building, and equipment	<u>1,796,343</u>
---------------------------------------	------------------

TOTAL ASSETS	<u>\$ 5,364,870</u>
---------------------	----------------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 88,819
Accrued expenses	81,774
Deferred revenue	332,324
Pension liability	2,293,360
Due to IHSA Foundation	<u>823</u>

Total current liabilities	<u>2,797,100</u>
---------------------------	------------------

NET ASSETS

Unrestricted:	
Designated	771,427
Undesignated	<u>1,796,343</u>

Total unrestricted net assets	<u>2,567,770</u>
-------------------------------	------------------

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,364,870</u>
---	----------------------------

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

**ILLINOIS HIGH SCHOOL ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008**

REVENUE, GAINS, AND OTHER SUPPORT

Athletic officials	\$ 669,962
Athletic tournaments:	
Boys	5,993,289
Girls	1,847,582
Contests	396,458
Investment income	55,709
Other	<u>1,111,906</u>

Total revenue, gains, and other support	<u>10,074,906</u>
---	-------------------

EXPENSES

Athletic officials	384,302
Athletic tournaments:	
Boys	3,380,358
Girls	1,778,512
Contests	501,299
Other	<u>797,134</u>

Total program expenses	<u>6,841,605</u>
------------------------	------------------

Excess of revenue, gains, and other support over program expenses before administrative expenses	3,233,301
--	-----------

ADMINISTRATIVE EXPENSES

3,409,838

Decrease in net assets	(176,537)
------------------------	-----------

**PENSION-RELATED CHANGES OTHER THAN NET
PERIODIC PENSION COST**

(786,666)

TOTAL CHANGE IN NET ASSETS

(963,203)

NET ASSETS, BEGINNING OF YEAR

3,530,973

NET ASSETS, END OF YEAR

\$ 2,567,770

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

**ILLINOIS HIGH SCHOOL ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (963,203)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	168,650
Unrealized loss on investments	31,680
Effects of changes in operating assets and liabilities:	
Accounts receivable	74,311
Prepaid expenses	58,885
Accounts payable	(37,710)
Accrued expenses	67,967
Deferred revenue	(37,417)
Pension liability	609,857
Due to IHSA Foundation	<u>137</u>
Net cash used in operating activities	<u>(26,843)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	(71,337)
Proceeds from maturity of investments	570,000
Purchases of investments	<u>(665,000)</u>
Net cash used in investing activities	<u>(166,337)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (193,180)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 2,285,055

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 2,091,875

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

**ILLINOIS HIGH SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Illinois High School Association (a nonprofit association) was formed to supervise and control interscholastic activities in which its member schools within the State of Illinois may engage. The Association's primary source of revenue is gate receipts from athletic tournaments.

Class of Net Assets

Unrestricted net assets account for resources over which the Board of Directors has discretion to use in carrying on the operations of the Association, and those resources invested in land, building, and equipment. The Association had no temporarily restricted or permanently restricted classes of net assets at June 30, 2008.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash equivalents of \$2,081,875 at June 30, 2008 consist of interest-bearing deposits and money market funds in financial institutions.

Receivables and Credit Policies

Accounts receivable are uncollateralized customer obligations that generally require payment within thirty days from the date of occurrence. Accounts receivable are stated at the invoice amount. Due to the uncertainty regarding collection, penalty fees, if any, are recognized as income when received.

Account balances with specific amounts over 45 days old are considered delinquent.

ILLINOIS HIGH SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Receivables and Credit Policies (Continued)

Payments of accounts receivable are applied to the specific occurrence identified on the customer's remittance advice or, if unspecified, to the earliest unpaid document. In the case that a customer is also a vendor, account receivable and account payable balances are netted together, which eliminates one account and reduces the other.

Management reviews account receivable balances that exceed one year from the occurrence and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. All accounts or portions thereof deemed to be uncollectible are written off to bad debt expense.

Investment Securities

Investments are stated at fair value based on quoted market prices and unrealized and realized gains (losses) are reflected in the statement of activities. Certificates of deposit are carried at cost, which approximates fair value.

Property, Building, and Equipment

Property, building, and equipment are carried at cost. Depreciation is computed at annual rates sufficient to amortize the cost over their estimated useful lives, principally on the straight-line basis.

Income Taxes

The Association is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code as an education organization. An informational return, Form 990, is filed with the Internal Revenue Service each year.

Revenue and Expense Reporting

On July 1, 2007, the Association began recording the gross amount of revenue and expenses from athletic tournaments and contests in its statement of activities. Prior to July 1, 2007, the Association recorded athletic tournament and contest revenues net of expenses.

Deferred Revenue

Officials' fees collected in advance for the coming school year have been included in deferred revenue in the accompanying statement of financial position. Such deferred revenue is recognized as revenue when earned during the coming school year.

ILLINOIS HIGH SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 2 - INVESTMENT SECURITIES

At June 30, 2008, investment securities consisted of the following:

Certificates of deposit (at cost)	\$ 665,000
Mutual fund - equity (at fair value)	<u>573,548</u>
	<u>\$ 1,238,548</u>

At June 30, 2008, investment income consisted of the following:

Interest income	\$ 87,389
Unrealized loss on investment securities	<u>(31,680)</u>
	<u>\$ 55,709</u>

NOTE 3 - PROPERTY, BUILDING, AND EQUIPMENT

Property, building, and equipment at cost consist of the following at June 30, 2008:

Athletic equipment	\$ 22,325
Automobiles	226,035
Office furniture and equipment	886,785
Building	2,115,221
Land	<u>84,077</u>
	<u>\$ 3,334,443</u>

NOTE 4 - PENSION PLAN

The Association has a contributory defined benefit pension plan covering substantially all of its employees. The Association's policy is to fund current pension costs with at least the minimum amount that is required under the Employee Retirement Income Security Act of 1974 (ERISA). Contributions are intended to provide not only benefits attributed to service to date but also for those expected to be earned in the future. The benefits are based on years of service and the employee's compensation reduced by a social security benefit. This plan has been frozen effective September 15, 2008.

**ILLINOIS HIGH SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 4 - PENSION PLAN (CONTINUED)

The following table sets forth the plan's funded status and amounts recognized in the Association's financial statements at June 30, 2008:

Projected benefit obligation	\$ (9,218,849)
Plan assets at fair value	<u>6,925,489</u>
Funded status	<u>\$ (2,293,360)</u>

Net pension cost for the plan consisted of the following components for the year ended June 30, 2008:

Service cost	\$ 221,376
Interest cost	526,429
Actual loss on plan assets	116,151
Net asset loss deferred for later recognition	(692,975)
Amortization of net loss from earlier periods	<u>143,624</u>
	<u>\$ 314,605</u>
Employer contributions	<u>\$ 491,414</u>
Benefits paid	<u>\$ 404,993</u>

The assumptions shown below were used in accounting for the pension plan as of June 30, 2008:

Discount rate	6.00%
Rates of increase in compensation (due to freeze)	0.00%
Expected long-term rate of return on assets	8.00%

The discount rate and expected rate of return on plan assets are critical assumptions which significantly affect pension accounting. Even relatively small changes in these rates would significantly change the recorded pension expense and accrued liability. Management believes the discount rate and expected rate of return on plan assets used in determining its year end pension accounting are reasonable based on currently available information. However, it is at least reasonably possible that these assumed rates will be revised in the near term, based on future events and changes in circumstances.

**ILLINOIS HIGH SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 4 - PENSION PLAN (CONTINUED)

The Association's expected long-term rate of return on plan assets assumption of 8.00 percent is based on using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - *Selection Economic Assumptions for Measuring Pension Obligations*. Based on the Association's investment policy for the pension plan in effect as of the beginning of fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30 year period rolling averages.

The accumulated benefit obligation at June 30, 2008 was \$9,218,849.

The Association's asset allocation at June 30, 2008 is as follows:

<u>Asset Category</u>	<u>Total</u>	<u>%</u>
Equity	\$ 2,150,475	31
Fixed income	4,513,212	65
Cash and cash equivalents	<u>261,802</u>	<u>4</u>
Total	<u>\$ 6,925,489</u>	<u>100%</u>

The Association's target asset allocation as of June 30, 2008, by asset category, is as follows:

<u>Asset Category</u>	
Equity	20-50%
Fixed income	50-75%
Cash and cash equivalents	0-5%

The Association's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges (shown above) by major asset categories.

The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

**ILLINOIS HIGH SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 4 - PENSION PLAN (CONTINUED)

The investment policy is periodically reviewed by the Association and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner so as to comply at all times with applicable government regulations. The investment statements are reviewed quarterly by the Board of Directors.

The Association expects to contribute \$520,626 to its pension plan for the year ending June 30, 2009.

The following benefit payments which reflect expected future service, as appropriate, are expected to be paid:

Fiscal Year

2009	\$ 466,480
2010	513,803
2011	511,929
2012	517,405
2013	570,145
2014-2018	3,080,518

Additional disclosures required by SFAS 158 are as follows:

Reconciliation of Items Not Yet Reflected in Net Periodic Benefit Cost

	<u>July 1, 2007</u>	<u>Reclassified as Net Periodic Benefit Cost</u>	<u>Amounts Arising During Period</u>	<u>June 30, 2008</u>
Net loss	<u>\$ 2,138,937</u>	<u>\$ 549,351</u>	<u>\$ 237,315</u>	<u>\$ 2,925,603</u>

Estimated Effect in Next Fiscal Year - Items Not Yet Reflected in Net Periodic Benefit Cost

	<u>July 1, 2008</u>	<u>Estimated Amounts to be Reclassified as Net Periodic Benefit Cost</u>
Net loss	<u>\$ 2,925,603</u>	<u>\$ -</u>

No plan assets are expected to be returned to the employer during the July 1, 2008 to June 30, 2009 fiscal year.

ILLINOIS HIGH SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 - BOARD DESIGNATED NET ASSETS

In order to provide certain services to the member schools on a continuing and professional basis, the Association's Board of Directors has designated the following amounts from the Association's unrestricted net assets:

To continue to promote and supervise interscholastic activities, the Board designated an amount to fund a portion of the approved budgeted expenses for the next succeeding fiscal year (\$10,257,694 budgeted expenses for fiscal year 2008).

\$ 770,427

NOTE 6 - ILLINOIS HIGH SCHOOL ACTIVITIES FOUNDATION

The Illinois High School Activities Foundation (Foundation) was incorporated on February 14, 1994 to promote and support educational and/or charitable interests, by scholarship, donation, loan, or otherwise. The Association is the sole member of the Foundation. The Foundation's by-laws provide the Association with the authority to appoint all directors of the Foundation. The net assets and changes in net assets of the Foundation are insignificant and, accordingly, have not been consolidated with the financial statements of the Association.

NOTE 7 - COMMITMENTS

The Association leases certain office equipment under noncancelable operating leases. Lease expense was \$18,717 for the year ended June 30, 2008.

Future minimum lease payments under noncancelable operating leases are as follows:

Year ending June 30:

2009	\$ 9,852
2010	9,852
2011	9,852
2012	<u>9,852</u>
	<u>\$ 39,408</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 8 - CONCENTRATION OF CREDIT RISK FOR DEPOSITS HELD IN BANKS

The Association maintains deposit balances in excess of \$100,000 in banks, which are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2008, the Association's uninsured deposits totaled \$1,447,973.

NOTE 9 - RISKS AND UNCERTAINTIES

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances in the Association's pension plan and the amounts reported in the statements of financial position and activities.

NOTE 10 - SUBSEQUENT EVENT

Subsequent to June 30, 2008, the equity and fixed income markets have declined significantly which has had an adverse impact on the Association's investment securities and its pension plan investments.

This information is an integral part of the accompanying financial statements.

**ILLINOIS HIGH SCHOOL ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES
Year Ended June 30, 2008**

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
ATHLETIC OFFICIALS			
Dues and registration	\$ 669,962	\$ 384,302	\$ 285,660
ATHLETIC TOURNAMENTS			
Boys:			
Baseball	333,557	237,227	96,330
Basketball	2,383,119	1,189,664	1,193,455
Bowling	17,435	11,738	5,697
Cross Country	20,940	50,209	(29,269)
Football	2,123,815	995,923	1,127,892
Golf	500	46,378	(45,878)
Gymnastics	15,194	22,773	(7,579)
Soccer	304,095	199,643	104,452
Swimming	58,825	50,009	8,816
Tennis	200	23,586	(23,386)
Track and Field	135,065	82,419	52,646
Volleyball	99,388	81,222	18,166
Wrestling	470,721	354,148	116,573
Water polo	29,598	23,095	6,503
Sportsmanship promotions	837	12,324	(11,487)
	<u>5,993,289</u>	<u>3,380,358</u>	<u>2,612,931</u>
Girls:			
Badminton	5,435	17,287	(11,852)
Basketball	744,604	759,451	(14,847)
Bowling	19,690	15,154	4,536
Cross Country	21,340	50,209	(28,869)
Golf	13,000	35,175	(22,175)
Gymnastics	28,713	42,628	(13,915)
Soccer	209,606	173,758	35,848
Softball	216,211	228,616	(12,405)
Swimming	56,875	55,578	1,297
Tennis	100	23,600	(23,500)
Track and Field	115,955	75,325	40,630
Volleyball	386,915	279,090	107,825
Water Polo	29,138	22,641	6,497
	<u>1,847,582</u>	<u>1,778,512</u>	<u>69,070</u>

**ILLINOIS HIGH SCHOOL ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES
Year Ended June 30, 2008**

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
CONTESTS			
Music	\$ 217,664	\$ 226,233	\$ (8,569)
Speech	46,490	120,499	(74,009)
Chess	200	22,295	(22,095)
Scholastic Bowl	3,665	44,947	(41,282)
Competitive Cheerleading	116,289	64,492	51,797
Journalism	12,150	22,833	(10,683)
	<u>396,458</u>	<u>501,299</u>	<u>(104,841)</u>
 OTHER REVENUE, GAINS, AND OTHER SUPPORT			
Investment income	55,709	-	55,709
Donations	245,000	-	245,000
Publications	150,008	273,836	(123,828)
Souvenirs	237,577	8,356	229,221
Miscellaneous	88,440	-	88,440
Radio and television	10,900	-	10,900
Awards	-	276,906	(276,906)
Royalty income	107,928	-	107,928
Special events	272,053	238,036	34,017
	<u>1,167,615</u>	<u>797,134</u>	<u>370,481</u>
 TOTAL BEFORE ADMINISTRATIVE EXPENSES	 <u>\$ 10,074,906</u>	 <u>\$ 6,841,605</u>	 3,233,301
 ADMINISTRATIVE EXPENSES			 <u>3,409,838</u>
 CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST			 <u>\$ (176,537)</u>

**ILLINOIS HIGH SCHOOL ASSOCIATION
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
Year Ended June 30, 2008**

Salaries and related taxes	\$ 1,712,220
Insurance	379,529
Postage	100,777
Printing	66,086
Building utilities	57,609
Audit and legal services	130,032
Actuarial services	18,413
Employee expenses	68,258
Board of Directors	61,464
Committee expenses	56,497
Office expenses	126,243
Telephone	43,067
Depreciation	168,650
Retirement Fund expense:	
Contributions	491,414
Accrual	(176,809)
Automobile	28,153
Building improvements	8,415
Maintenance	23,308
Newspaper subscriptions	242
Miscellaneous	13,046
Sales tax	4,200
Provision for bad debts	1,126
Marketing	<u>27,898</u>
 TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	 <u>\$ 3,409,838</u>