

**ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois**

Financial Statements

June 30, 2019 and 2018

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Independent Auditors' Report

Board of Directors
Illinois High School Association
Bloomington, Illinois

We have audited the accompanying financial statements of the Illinois High School Association (the "Association"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois High School Association as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Striegel Knobloch & Company LLC

Bloomington, Illinois
October 23, 2019

ILLINOIS HIGH SCHOOL ASSOCIATION
Statements of Financial Position
June 30,

	<u>2019</u>	<u>2018</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 1,250,611	\$ 1,965,261
Investment securities (Notes 2 and 3)	3,966,590	3,662,391
Accounts receivable (Note 1)	660,375	335,561
Accrued interest receivable	13,042	13,225
Due from IHSA Foundation	915	-
Prepaid expenses	<u>180,823</u>	<u>161,321</u>
Total current assets	<u>6,072,356</u>	<u>6,137,759</u>
Other assets (Notes 1, 2 and 6)	<u>262,522</u>	<u>207,108</u>
Property, building and equipment (Notes 1 and 4)	3,598,572	3,550,356
Less: accumulated depreciation	<u>(2,448,650)</u>	<u>(2,380,535)</u>
	<u>1,149,922</u>	<u>1,169,821</u>
Total assets	<u>\$ 7,484,800</u>	<u>\$ 7,514,688</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 64,753	\$ 98,871
Accrued expenses	100,863	92,803
Deferred revenue (Note 1)	538,283	453,592
Due to IHSA Foundation	<u>-</u>	<u>1,286</u>
Total current liabilities	703,899	646,552
Pension and deferred compensation (Notes 5 and 6)	<u>5,053,964</u>	<u>4,093,068</u>
Total liabilities	5,757,863	4,739,620
Net assets:		
Net assets without donor restrictions	<u>1,726,937</u>	<u>2,775,068</u>
Total liabilities and net assets	<u>\$ 7,484,800</u>	<u>\$ 7,514,688</u>

The accompanying notes are an integral part of these statements.

ILLINOIS HIGH SCHOOL ASSOCIATION
Statements of Activities
For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
Revenues, Gains and Other Support:		
Athletic officials	\$ 813,003	\$ 806,382
Athletic tournaments - boys	5,195,256	5,011,656
Athletic tournaments - girls	2,101,434	2,038,016
Contests	504,783	579,544
Investment income, net (Note 3)	261,962	175,634
Other	<u>2,088,377</u>	<u>2,132,441</u>
Total revenues, gains and other support	<u>10,964,815</u>	<u>10,743,673</u>
Expenses:		
Athletic officials	319,209	315,658
Athletic tournaments - boys	3,356,300	3,104,118
Athletic tournaments - girls	1,988,616	1,995,575
Contests	624,639	679,210
Other	<u>986,420</u>	<u>995,356</u>
Total program expenses	<u>7,275,184</u>	<u>7,089,917</u>
Excess of revenues, gains and other support over expenses before administrative expenses	3,689,631	3,653,756
Administrative expenses	<u>(3,910,863)</u>	<u>(4,068,026)</u>
Increase (decrease) in net assets	(221,232)	(414,270)
Pension-related changes other than net periodic pension costs	<u>(826,899)</u>	<u>2,166,453</u>
Total change in net assets	(1,048,131)	1,752,183
Net assets at beginning of year	<u>2,775,068</u>	<u>1,022,885</u>
Net assets at end of year	<u>\$ 1,726,937</u>	<u>\$ 2,775,068</u>

The accompanying notes are an integral part of these statements.

ILLINOIS HIGH SCHOOL ASSOCIATION
Statements of Functional Expenses
For the Years Ended June 30,

	2019	2018
Program expenses:		
Athletic officials	\$ 319,209	\$ 315,658
Athletic tournaments	5,344,916	5,099,693
Contests	624,639	679,210
Publications	191,203	184,760
Souvenirs	14,044	18,083
Awards	294,845	298,239
Sportsmanship	6,623	5,009
TV/Internet	275,302	275,472
Special Events	204,403	213,793
Total program expenses	7,275,184	7,089,917
General and administrative expenses:		
Actuarial services	17,100	25,637
Audit and legal services	101,315	62,815
Automobile	11,277	11,507
Bad debt expense	701	-
Board of Directors	51,242	51,605
Building improvements	15,316	17,385
Building utilities	60,652	53,411
Committee expenses	64,700	66,505
Depreciation (Note 4)	111,667	109,672
Employee expense	56,979	69,751
Insurance	608,993	588,334
Maintenance	15,929	13,806
Miscellaneous	2,758	5,988
Newspaper subscriptions	-	-
Office expenses	121,422	104,285
Postage	35,652	34,489
Printing	31,770	31,575
Promotion	2,608	3,771
Retirement expenses:		
Pension	424,614	737,104
Contributions – 401(k)	134,529	113,863
Deferred compensation	39,383	41,799
Salaries and related taxes	1,977,507	1,905,430
Sales tax	2,393	2,787
Sponsorship	2,650	3,715
Telephone	19,706	12,792
Total general and administrative expenses	3,910,863	4,068,026
Total expenses	\$ 11,186,047	\$ 11,157,943

The accompanying notes are an integral part of these statements.

ILLINOIS HIGH SCHOOL ASSOCIATION
Statements of Cash Flows
For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
Cash flows from (used in) operating activities (Note 1):		
Change in net assets	\$ (1,048,131)	\$ 1,752,183
Adjustments to reconcile change in net assets to cash from (used in) operating activities:		
Bad debt expense	701	-
Depreciation	111,667	109,672
(Gain) loss on sale of fixed assets	(11,935)	-
Realized (gain) loss on sale of investments	(21,731)	(21,274)
Unrealized (gain) loss on investments	(121,229)	(48,412)
Change in operating assets and liabilities:		
Accounts receivable	(325,515)	24,612
Accrued interest receivable	183	310
Prepaid expenses	(19,502)	19,723
Accounts payable	(34,118)	44,326
Accrued expenses	8,060	7,446
Deferred revenue	84,691	(36,783)
Pension and deferred compensation liabilities	960,896	(1,697,549)
Due to/from IHSA Foundation	<u>(2,201)</u>	<u>(24,927)</u>
Net cash from operating activities	<u>(418,164)</u>	<u>129,327</u>
Cash flows from (used in) investing activities:		
Purchase of fixed assets	(97,133)	(35,529)
Proceeds from sale of fixed assets	17,300	-
Purchase of investments held in rabbi trust	(111,314)	(215,080)
Proceeds from sale of investments held in rabbi trust	55,900	171,323
Purchase of investments	(494,129)	(552,629)
Proceeds from sale of investments	<u>332,890</u>	<u>497,514</u>
Net cash from (used in) investing activities	<u>(296,486)</u>	<u>(134,401)</u>
Change in cash and cash equivalents	(714,650)	(5,074)
Cash and cash equivalents at beginning of year	<u>1,965,261</u>	<u>1,970,335</u>
Cash and cash equivalents at end of year	<u>\$ 1,250,611</u>	<u>\$ 1,965,261</u>

The accompanying notes are an integral part of these statements.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements

June 30, 2019 and 2018

Note 1 – Summary of Accounting Policies

Organization

The Illinois High School Association (the “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.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Association has adopted FASB ASC 958. Under FASB ASC 958, the Association is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Under these standards, the Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions are those assets presently available for use by the Association at the discretion of the Board.

Net Assets With Donor Restrictions are those assets which are subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time, or with a donor-imposed restriction that stipulates that resources be maintained permanently but permits the Association to use up or expend part or all of the income (or other economic benefits) derived from the donated assets.

The Association did not have any net assets with donor restrictions as of June 30, 2019 and 2018.

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 the revenues, expense, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2019 and 2018

Note 1 – Summary of Accounting Policies – Continued

Cash and Cash Equivalents

For purposes of reporting cash flows, the Association considers all liquid investments with an original maturity of three months or less to be cash and cash equivalents. Cash equivalents of \$1,250,611 and \$1,965,261 at June 30, 2019 and 2018, respectively, consist of interest-bearing deposits and money market accounts 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.

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

Management reviews accounts 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. Bad debt expense for the years ended June 30, 2019 and 2018 was \$ 701 and \$ - 0 -, respectively.

Certificate of Deposit

Certificates of deposit, with a maturity of more than three months when purchased, are carried at cost, which approximates fair value.

Investment Securities

Investments are stated at fair value based on quoted market prices or recent trade activities and unrealized and realized gains (losses) are reflected in the statements of activities.

Other Assets

As further described in Note 6, the Association has a nonqualified deferred compensation plan. Assets held in the rabbi trust for the plan are recorded as other assets on the statements of financial position, measured at fair value, and are subject to claims by creditors of the Association in the event of insolvency.

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. An addition of equipment in an amount that does not exceed \$500 per item is expensed as incurred.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2019 and 2018

Note 1 – Summary of Accounting Policies – Continued

Income Taxes

The Association is a not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. An informational return, Form 990, is filed with the Internal Revenue Service each year.

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.

Note 2 – Fair Value Measurements

The Association has determined the fair value of certain assets and liabilities through application of ASC 820. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Common stocks and mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active at the last transaction price before year end.

Corporate bonds are valued based on either the most recent observable trade and/or external quotes.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2019 and 2018

Note 2 – Fair Value Measurements – Continued

The fair value of municipal bonds is derived using recent trade activity, market price quotations, and new issuance levels. In the absence of this information, fair value is calculated using comparable bonds credit spreads. Current interest rates, credit events, and individual bond characteristics such as coupon, call features, maturity, and revenue purpose are considered in the valuation process.

Fair values of assets and liabilities measured on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>June 30, 2019</u>				
Common stock	\$ 1,603,404	\$ 1,603,404	\$ -	\$ -
Mutual funds	677,163	677,163	-	-
Money market funds ¹	14,830	14,830	-	-
Mutual funds ¹	247,692	247,692	-	-
Corporate bonds	743,325	743,325	-	-
Municipal bonds	<u>942,698</u>	<u>-</u>	<u>942,698</u>	<u>-</u>
	<u>\$ 4,229,112</u>	<u>\$ 3,286,414</u>	<u>\$ 942,698</u>	<u>\$ -</u>

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>June 30, 2018</u>				
Common stock	\$ 1,519,757	\$ 1,519,757	\$ -	\$ -
Mutual funds	627,427	627,427	-	-
Money market funds ¹	35,107	35,107	-	-
Mutual funds ¹	172,001	172,001	-	-
Corporate bonds	715,588	715,588	-	-
Municipal bonds	<u>799,619</u>	<u>-</u>	<u>799,619</u>	<u>-</u>
	<u>\$ 3,869,499</u>	<u>\$ 3,069,880</u>	<u>\$ 799,619</u>	<u>\$ -</u>

¹Money market funds and mutual funds held in a rabbi trust are included in other assets in the statements of financial position.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with our market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2019 and 2018

Note 3 – Investment Securities and Certificates of Deposit

As of June 30, investment securities consisted of the following:

	<u>2019</u>	<u>2018</u>
Common stock – equity (at fair value)	\$ 1,603,404	\$ 1,519,757
Mutual funds (at fair value)	677,163	627,427
Corporate and municipal bonds (at fair value)	<u>1,686,023</u>	<u>1,515,207</u>
	<u>\$ 3,966,590</u>	<u>\$ 3,662,391</u>

For the year ended June 30, investment income consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends net of expenses of \$21,914 and \$21,584, respectively	\$ 119,002	\$ 105,948
Realized gain on investment securities	21,731	21,274
Unrealized gain (loss) on investment securities	<u>121,229</u>	<u>48,412</u>
	<u>\$ 261,962</u>	<u>\$ 175,634</u>

Note 4 – Property, Building and Equipment

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

	<u>2019</u>	<u>2018</u>
Automobiles	\$ 156,898	\$ 136,913
Office furniture and equipment	1,062,593	1,052,187
Building	2,295,004	2,277,179
Land	<u>84,077</u>	<u>84,077</u>
	<u>\$ 3,598,572</u>	<u>\$ 3,550,356</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$111,667 and \$109,672 respectively.

Note 5 – Pension Plan

The Association has a 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 July 1, 2008.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2019 and 2018

Note 5 – Pension Plan – Continued

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

	<u>2019</u>	<u>2018</u>
Projected benefit obligation	\$ (12,955,271)	\$ (11,982,754)
Plan assets at fair value	<u>9,214,039</u>	<u>9,054,564</u>
Funded status, included in pension and deferred compensation liabilities on the statements of financial position	\$ <u>(3,741,232)</u>	\$ <u>(2,928,190)</u>
Employer contributions	\$ <u>230,000</u>	\$ <u>210,000</u>
Accumulated benefit obligation	\$ <u>(12,955,271)</u>	\$ <u>(11,982,754)</u>
Benefits paid	\$ <u>638,793</u>	\$ <u>653,475</u>

Amounts recognized in the statement of activities for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest cost	\$ 467,647	\$ 483,844
Actual (gain) loss on plan assets	(568,268)	(444,791)
Net asset gain (loss) deferred for later recognition	339,874	216,804
Amortization of net loss from earlier periods	<u>185,361</u>	<u>481,247</u>
Net periodic pension cost	424,614	737,104
Pension related changes other than net periodic pension cost	<u>618,428</u>	<u>(2,140,106)</u>
	\$ <u>1,043,042</u>	\$ <u>(1,403,002)</u>

The assumptions shown below were used in accounting for the pension plan for the year ended June 30:

	<u>2019</u>	<u>2018</u>
Discount rate	3.30%	4.02%
Rates of increase in compensation (due to freeze)	0.00%	0.00%
Expected long-term rate of return on assets	2.57%	2.57%

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2019 and 2018

Note 5 – Pension Plan – Continued

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.

The Association’s expected long-term rate of return on plan assets assumption of 2.57% 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 the expected real rate of return and using a mid-point of each expectation.

The following table summarizes plan assets measured at fair value at June 30, 2019, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value.

	<u>Fair Value Measurements at Reporting Date Using</u>			<u>Total</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Fair Value</u>
Money market funds	\$ 120,487	\$ -	\$ -	\$ 120,487
Equity securities:				
Common stock	1,326,357	-	-	1,326,357
Exchange traded funds	66,951	-	-	66,951
Mutual funds	<u>3,826,523</u>	<u>-</u>	<u>-</u>	<u>3,826,523</u>
	<u>5,219,831</u>	<u>-</u>	<u>-</u>	<u>5,219,831</u>
Fixed income:				
Corporate bonds	910,839	-	-	910,839
Government bonds	-	25,595	-	25,595
Municipal bonds	<u>-</u>	<u>2,937,287</u>	<u>-</u>	<u>2,937,287</u>
	<u>910,839</u>	<u>2,962,882</u>	<u>-</u>	<u>3,873,721</u>
Total	<u>\$ 6,251,157</u>	<u>\$ 2,962,882</u>	<u>\$ -</u>	<u>\$ 9,214,039</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2019 and 2018

Note 5 – Pension Plan – Continued

The Association’s asset allocation at June 30, 2018 was as follows:

Equity	60%	\$ 5,429,672
Fixed income	40%	3,624,892
Cash and cash equivalents	0%	<u> -</u>
 Total	 100%	 \$ <u>9,054,564</u>

The Associations’ target asset allocation as of June 30, 2019, by asset category, is as follows:

Equity	30-60%
Fixed income	40-65%
Cash and cash equivalents	0-10%

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 objective of the target allocations is 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.

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 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 \$100,000 to its pension plan for the year ending June 30, 2020.

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

Years Ending <u>June 30,</u>	
2020	\$ 676,467
2021	672,691
2022	688,891
2023	711,985
2024	720,068
2025-2029	<u>3,511,905</u>
	 \$ <u>6,982,007</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2019 and 2018

Note 5 – Pension Plan – Continued

Reconciliation of items not yet reflected in net periodic benefit cost is as follows:

	<u>July 1, 2018</u>	Reclassified as Net Periodic <u>Benefit Cost</u>	Amounts Arising <u>During Period</u>	<u>June 30, 2019</u>
Net loss	\$ <u>2,299,321</u>	\$ <u>(185,361)</u>	\$ <u>803,789</u>	\$ <u>2,917,749</u>

	<u>July 1, 2017</u>	Reclassified as Net Periodic <u>Benefit Cost</u>	Amounts Arising <u>During Period</u>	<u>June 30, 2018</u>
Net loss	\$ <u>4,439,426</u>	\$ <u>(481,247)</u>	\$ <u>(1,658,858)</u>	\$ <u>2,299,321</u>

Note 6 – Employee Benefit Plans

The Association has a 401(k) savings plan and trust covering substantially all full-time employees. The Association matches 100% of the first 3% of earnings contributed by each employee. The Association also contributes 7% of the administrators' salaries into two lump sum payments during the year, with an exception being those who participate in the deferred compensation plan. Expenses for the plan were \$134,529 and \$113,863 for the years ending June 30, 2019 and 2018, respectively.

Effective June 15, 2009, the Association established a nonqualified deferred compensation plan for the purpose of providing supplemental retirement benefits to certain employees in connection with the freeze of benefit accruals of the Association's pension plan.

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

	<u>2019</u>	<u>2018</u>
Projected benefit obligation	\$ <u>(1,312,732)</u>	\$ <u>(1,164,878)</u>
Fair value of plan assets	<u>262,522</u>	<u>207,108</u>
Funded status	\$ <u>(1,050,210)</u>	\$ <u>(957,770)</u>
Accrued benefit cost included in long-term pension and deferred compensation liabilities	\$ <u>(1,312,732)</u>	\$ <u>(1,164,878)</u>
Accumulated benefit obligation	\$ <u>(1,312,732)</u>	\$ <u>(1,164,878)</u>
Employer contribution	\$ <u>100,000</u>	\$ <u>100,000</u>
Benefits paid	\$ <u>55,900</u>	\$ <u>54,632</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2019 and 2018

Note 6 – Employee Benefit Plans – Continued

Amounts recognized in statements of activities for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest cost	\$ 45,982	\$ 44,646
Actual return on plan assets	(11,314)	1,611
Net asset gain (loss) deferred for later recognition	4,715	(7,404)
Amortization of net loss from earlier period	<u>-</u>	<u>2,946</u>
Net periodic benefit cost	39,383	41,799
Benefit related changes other than net periodic benefit cost	<u>208,471</u>	<u>(26,347)</u>
	<u>\$ 247,854</u>	<u>\$ 15,452</u>

Amounts used to determine benefit obligation as of June 30:

	<u>2019</u>	<u>2018</u>
Discount rate	3.34%	4.05%
Rates of increase in compensation	N/A	N/A
Expected long-term rate of return on assets	2.57%	2.57%

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

<u>Years Ending June 30,</u>	
2020	\$ 56,502
2021	57,810
2022	59,115
2023	60,413
2024	61,699
2025-2029	<u>319,042</u>
	<u>\$ 614,581</u>

Note 7 – Illinois High School Activities Foundation

The Illinois High School Activities Foundation was incorporated on February 14, 1994 to promote and support educational and/or charitable interest, 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.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2019 and 2018

Note 8 – Commitments

The Association leases certain office equipment under noncancelable operating leases. Future minimum lease payments are as follows:

Years Ending <u>June 30,</u>	
2020	14,771
2021	11,723
2022	11,723
2023	6,731
2024	<u>4,212</u>
Total	\$ <u>49,160</u>

Total lease expense for the years ended June 30, 2019 and 2018 was \$13,607 and \$11,088, respectively.

Note 9 – Litigation

The Association is subject to pending and threatened legal actions which arise in the normal course of business. While the final outcome cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the resolution of these matters will not have a material effect on the Association's financial statements.

Note 10 – Association Liquidity

The following reflects the Association's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2019:

Financial assets	\$ 6,154,055
Less those unavailable for general expenditure within one year, due to:	
Donor restrictions	-
Non-qualified deferred compensation plan	<u>262,522</u>
Financial assets available to meet cash needs	\$ <u>5,891,533</u>

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2019 and 2018

Note 11 – Uncertain Tax Positions

Accounting principles generally accepted in the United States of America require the Association's management evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more than likely would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association, and has concluded that as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Tax years prior to 2016 are closed.

Note 12 – Subsequent Events

No events have occurred subsequent to June 30, 2019, that are required to be disclosed in the financial statements. This evaluation was made as of October 23, 2019, the date these financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

ILLINOIS HIGH SCHOOL ASSOCIATION

Schedule of Revenues and Expenses

For the Year Ended June 30, 2019

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Athletic Officials:			
Dues and registration	\$ <u>813,003</u>	\$ <u>319,209</u>	\$ <u>493,794</u>
Boys Athletic Tournaments:			
Baseball	\$ 401,918	\$ 270,949	130,969
Basketball	1,998,653	1,004,237	994,416
Bass fishing	50,200	5,937	44,263
Bowling	21,537	16,601	4,936
Cross country	13,556	75,669	(62,113)
Football	1,518,446	899,870	618,576
Golf	5,400	48,872	(43,472)
Gymnastics	13,174	27,347	(14,173)
Lacrosse	45,717	34,021	11,696
Soccer	292,765	237,140	55,625
Swimming	53,300	55,066	(1,766)
Tennis	-	25,963	(25,963)
Track and field	150,924	104,655	46,269
Volleyball	106,892	102,479	4,413
Wrestling	489,690	419,241	70,449
Water polo	<u>33,084</u>	<u>28,253</u>	<u>4,831</u>
	\$ <u>5,195,256</u>	\$ <u>3,356,300</u>	<u>1,838,956</u>
Girls Athletic Tournaments:			
Badminton	\$ 10,942	\$ 18,267	(7,325)
Basketball	744,026	709,234	34,792
Bowling	21,561	14,046	7,515
Cross country	13,556	72,269	(58,713)
Golf	500	26,506	(26,006)
Gymnastics	26,210	56,137	(29,927)
Lacrosse	25,780	26,881	(1,101)
Soccer	234,349	199,982	34,367
Softball	273,976	268,430	5,546
Swimming	55,650	49,707	5,943
Tennis	100	27,652	(27,552)
Track and field	123,774	101,089	22,685
Volleyball	538,220	390,129	148,091
Water polo	<u>32,790</u>	<u>28,287</u>	<u>4,503</u>
	\$ <u>2,101,434</u>	\$ <u>1,988,616</u>	<u>112,818</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Schedule of Revenues and Expenses – Continued
For the Year Ended June 30, 2019

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Contests:			
Dance Team	\$ 96,525	\$ 67,837	\$ 28,688
Music	161,541	183,450	(21,909)
Speech	51,485	182,433	(130,948)
Chess	200	30,065	(29,865)
Scholastic Bowl	2,150	40,524	(38,374)
Competitive Cheerleading	178,822	95,035	83,787
Journalism	<u>14,060</u>	<u>25,295</u>	<u>(11,235)</u>
	<u>\$ 504,783</u>	<u>\$ 624,639</u>	<u>(119,856)</u>
Other Revenue, Gains, and Other Support:			
Donations	\$ 591,900	\$ -	591,900
Publications	102,666	191,203	(88,537)
Souvenirs	233,704	14,044	219,660
Gain on sale of assets	11,935	-	11,935
Miscellaneous	66,685	-	66,685
Radio and television	17,200	-	17,200
Awards	-	294,845	(294,845)
Sportsmanship	-	6,623	(6,623)
Drug testing	-	-	-
Royalty income	285,359	-	285,359
Contract services	55,668	-	55,668
TV / Internet income	420,000	275,302	144,698
Public relations	-	-	-
Special events	<u>303,260</u>	<u>204,403</u>	<u>98,857</u>
	<u>\$ 2,088,377</u>	<u>\$ 986,420</u>	<u>1,101,957</u>
Investment income, net			<u>261,962</u>
Total before administrative expenses			3,689,631
Administrative expenses			<u>3,910,863</u>
Change in net assets before pension related changes other than net periodic pension costs			<u>\$ (221,232)</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Schedule of Revenues and Expenses
For the Year Ended June 30, 2018

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Athletic Officials:			
Dues and registration	\$ <u>806,382</u>	\$ <u>315,658</u>	\$ <u>490,724</u>
Boys Athletic Tournaments:			
Baseball	\$ 429,605	\$ 267,399	162,206
Basketball	1,921,381	951,800	969,581
Bass fishing	50,000	6,286	43,714
Bowling	24,575	16,916	7,659
Cross country	12,856	72,083	(59,227)
Football	1,439,516	721,721	717,795
Golf	5,433	49,381	(43,948)
Gymnastics	13,881	26,639	(12,758)
Lacrosse	39,560	30,936	8,624
Soccer	275,674	224,931	50,743
Swimming	55,300	51,820	3,480
Tennis	-	24,579	(24,579)
Track and field	152,382	107,904	44,478
Volleyball	87,549	97,805	(10,256)
Wrestling	467,179	425,270	41,909
Water polo	<u>36,765</u>	<u>28,648</u>	<u>8,117</u>
	<u>\$ 5,011,656</u>	<u>\$ 3,104,118</u>	<u>1,907,538</u>
Girls Athletic Tournaments:			
Badminton	\$ 11,970	\$ 20,279	(8,309)
Basketball	691,343	711,989	(20,646)
Bowling	21,549	15,032	6,517
Cross country	12,656	72,083	(59,427)
Golf	-	27,999	(27,999)
Gymnastics	28,922	55,993	(27,071)
Lacrosse	29,809	26,326	3,483
Soccer	223,346	197,557	25,789
Softball	273,094	262,096	10,998
Swimming	49,200	55,196	(5,996)
Tennis	-	25,811	(25,811)
Track and field	125,900	106,703	19,197
Volleyball	533,427	390,515	142,912
Water polo	<u>36,800</u>	<u>27,996</u>	<u>8,804</u>
	<u>\$ 2,038,016</u>	<u>\$ 1,995,575</u>	<u>42,441</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Schedule of Revenues and Expenses – Continued
For the Year Ended June 30, 2018

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Contests:			
Dance Team	\$ 126,966	\$ 82,803	\$ 44,163
Music	178,099	198,388	(20,289)
Speech	52,680	191,748	(139,068)
Chess	-	30,928	(30,928)
Scholastic Bowl	1,400	40,763	(39,363)
Competitive Cheerleading	205,759	110,938	94,821
Journalism	<u>14,640</u>	<u>23,642</u>	<u>(9,002)</u>
	<u>\$ 579,544</u>	<u>\$ 679,210</u>	<u>(99,666)</u>
Other Revenue, Gains, and Other Support:			
Donations	\$ 602,651	\$ -	602,651
Publications	112,462	184,760	(72,298)
Souvenirs	233,811	18,083	215,728
Miscellaneous	50,563	-	50,563
Radio and television	15,000	-	15,000
Awards	-	298,239	(298,239)
Sportsmanship	-	5,009	(5,009)
Drug testing	-	-	-
Royalty income	315,245	-	315,245
Contract services	54,336	-	54,336
TV / Internet income	420,000	275,472	144,528
Public relations	-	-	-
Special events	<u>328,373</u>	<u>213,793</u>	<u>114,580</u>
	<u>\$ 2,132,441</u>	<u>\$ 995,356</u>	<u>1,137,085</u>
Investment income, net			<u>175,634</u>
Total before administrative expenses			3,653,756
Administrative expenses			<u>4,068,026</u>
Change in net assets before pension related changes other than net periodic pension costs			<u>\$ (414,270)</u>