

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Financial Statements

June 30, 2021 and 2020

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Independent Auditor's Report

To the 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, 2021 and 2020, and the related statements of activities, functional expenses, 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.

ILLINOIS HIGH SCHOOL ASSOCIATION
Independent Auditor's Report – Continued
June 30, 2021 and 2020

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, 2021 and 2020, 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.

Strigel Knobloch + Company LLC

Bloomington, Illinois
November 23, 2021

ILLINOIS HIGH SCHOOL ASSOCIATION
Statements of Financial Position
June 30,

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash	\$ 1,161,912	\$ 1,788,748
Investment securities	4,880,319	4,088,219
Accounts receivable	326,216	357,148
Accrued interest receivable	13,263	14,078
Due from IHSA Foundation	121	52
Prepaid expenses	<u>150,431</u>	<u>58,370</u>
Total current assets	<u>6,532,262</u>	<u>6,306,615</u>
Other assets	<u>258,515</u>	<u>214,168</u>
Property, building and equipment	3,562,124	3,647,290
Less: accumulated depreciation	<u>(2,552,528)</u>	<u>(2,555,354)</u>
	<u>1,009,596</u>	<u>1,091,936</u>
Total assets	<u>\$ 7,800,373</u>	<u>\$ 7,612,719</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 209,335	\$ 228,212
Accrued expenses	99,348	118,171
Deferred revenue	204,365	349,545
Due to IHSA Foundation	<u>-</u>	<u>-</u>
Total current liabilities	513,048	695,928
Note Payable	411,095	466,633
Pension and deferred compensation	<u>4,593,120</u>	<u>6,541,630</u>
Total liabilities	5,517,263	7,704,191
Net assets:		
Net assets without donor restrictions	<u>2,283,110</u>	<u>(91,472)</u>
Total liabilities and net assets	<u>\$ 7,800,373</u>	<u>\$ 7,612,719</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>2021</u>	<u>2020</u>
Revenues, Gains and Other Support:		
Athletic officials	\$ 793,936	\$ 959,909
Athletic tournaments - boys	638,283	3,969,565
Athletic tournaments - girls	564,029	1,518,761
Contests	283,710	465,584
Investment income, net	799,507	226,320
Other	<u>1,614,922</u>	<u>1,680,313</u>
Total revenues, gains and other support	<u>4,694,387</u>	<u>8,820,452</u>
Expenses:		
Athletic officials	196,632	435,957
Athletic tournaments - boys	247,665	2,404,995
Athletic tournaments - girls	231,071	1,379,265
Contests	135,480	482,082
Other	<u>212,013</u>	<u>590,968</u>
Total program expenses	<u>1,022,861</u>	<u>5,293,267</u>
Excess of revenues, gains and other support over expenses before administrative expenses	3,671,526	3,527,185
Administrative expenses	<u>(3,697,006)</u>	<u>(4,103,383)</u>
Increase (decrease) in net assets from operations	(25,480)	(576,198)
Pension-related changes other than net periodic pension costs	<u>2,400,062</u>	<u>(1,242,211)</u>
Total change in net assets	2,374,582	(1,818,409)
Net assets at beginning of year	<u>(91,472)</u>	<u>1,726,937</u>
Net assets at end of year	<u>\$ 2,283,110</u>	<u>\$ (91,472)</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,

	<u>2021</u>	<u>2020</u>
Program expenses:		
Athletic officials	\$ 196,632	\$ 435,957
Athletic tournaments	478,736	3,784,260
Contests	135,480	482,082
Publications	45,918	128,440
Souvenirs	7,054	9,315
Awards	153,437	185,911
Sportsmanship	-	2,126
TV/Internet	-	150,000
Special Events	<u>5,604</u>	<u>115,176</u>
Total program expenses	<u>1,022,861</u>	<u>5,293,267</u>
General and administrative expenses:		
Actuarial services	24,472	41,194
Audit and legal services	125,392	111,604
Automobile	4,254	10,839
Bad debt expense	140	1,613
Board of Directors	3,831	20,058
Building improvements	8,295	6,439
Building utilities	50,405	51,565
Committee expenses	3,421	51,013
Depreciation	103,611	106,704
Employee expense	9,415	26,779
Insurance	635,709	615,136
Maintenance	14,059	13,569
Miscellaneous	15,111	109,902
Office expenses	95,621	139,364
Postage	26,190	41,940
Printing	-	29,833
Promotion	-	-
Retirement expenses:		
Pension	737,663	546,820
Contributions – 401(k)	-	80,893
Deferred compensation	44,492	41,225
Salaries and related taxes	1,781,812	2,039,635
Sales tax	1,897	2,477
Sponsorship	-	2,264
Telephone	<u>11,216</u>	<u>12,517</u>
Total general and administrative expenses	<u>3,697,006</u>	<u>4,103,383</u>
 Total expenses	 <u>\$ 4,719,867</u>	 <u>\$ 9,396,650</u>

The accompanying notes are an integral part of these statements.

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

	2021	2020
Cash flows from (used in) operating activities:		
Change in net assets	\$ 2,374,582	\$ (1,818,409)
Adjustments to reconcile change in net assets to cash from (used in) operating activities:		
Bad debt expense	140	1,613
Depreciation	103,611	106,704
(Gain) loss on sale of fixed assets	(15,582)	-
Realized (gain) loss on sale of investments	(23,521)	(23,734)
Unrealized (gain) loss on investments	(674,619)	(86,712)
Debt forgiveness – 2020 PPP Loan	(466,633)	-
Change in operating assets and liabilities:		
Accounts receivable	30,792	301,614
Accrued interest receivable	815	(1,036)
Prepaid expenses	(92,061)	122,453
Accounts payable	(18,877)	163,459
Accrued expenses	(18,823)	17,308
Deferred revenue	(145,180)	(188,738)
Pension and deferred compensation liabilities	(1,948,510)	1,487,666
Due to/from IHSA Foundation	(69)	863
Net cash from (used in) operating activities	(893,935)	83,051
Cash flows from (used in) investing activities:		
Purchase of fixed assets	(18,189)	(48,718)
Proceeds from sale of fixed assets	12,500	-
Purchase of investments held in rabbi trust	(102,716)	(8,315)
Proceeds from sale of investments held in rabbi trust	58,369	56,669
Purchase of investments	(1,032,256)	(1,182,586)
Proceeds from sale of investments	938,296	1,171,403
Net cash from (used in) investing activities	(143,996)	(11,547)
Cash flows from (used in) financing activities:		
Proceeds from PPP Loan	411,095	466,633
Net cash from (used in) financing activities	411,095	466,633
Change in cash	(626,836)	538,137
Cash at beginning of year	1,788,748	1,250,611
Cash at end of year	\$ 1,161,912	\$ 1,788,748

The accompanying notes are an integral part of these statements.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020.

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.

Concentration of Credit Risk

The Association maintains cash balances at financial institutions located in the area. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. Balances may exceed the insured limit throughout the year. The Association believes there is no significant risk with respect to these deposits.

See independent auditor’s report.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2021 and 2020

Note 1 – Summary of Accounting Policies – Continued

Functional Expenses

The cost of providing various programs and supporting services are summarized on a functional basis in the Statements of Activities. Expenses are directly charged to the appropriate activity, where feasible. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, they require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include operating and overhead expenses. These expenses are allocated among the programs and administrative services based on an estimated percentage of what functions are benefited. Personnel costs are allocated based on estimates of time and effort, by individual employee. The Association reevaluates its allocation method each year to determine if adjustments are necessary based on actual activities conducted during the year.

Cash

For purposes of reporting cash flows, the Association considers cash on hand and on deposit with banks and financial institutions to be cash.

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, 2021 and 2020 was \$140 and \$1,613, respectively.

Certificate of Deposit

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

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.

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2021 and 2020

Note 1 – Summary of Accounting Policies – Continued

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.

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.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are recorded as decreases in net assets without donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period that the unconditional promise is received. Contributions received with donor-imposed restrictions and related gains and income that are met in the same year as received are reported as revenues without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Donated materials, property and equipment, and investments are recorded at fair value when received.

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2021 and 2020

Note 1 – Summary of Accounting Policies – Continued

Revenue Recognition – Continued

The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During 2021 and 2020, the Association received \$-0- of in-kind property and services.

The Association's performance obligation for ticket revenue is satisfied as events are performed, and revenue is recognized immediately or in the month of the related events. Officials fees are deferred until earned during the related sporting season. TV/Internet income and royalty income are recognized over time based on the length of the related agreements.

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.

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2021 and 2020

Note 2 – Fair Value Measurements – Continued

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

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, 2021</u>				
Common stock	\$ 2,241,632	\$ 2,241,632	\$ -	\$ -
Mutual funds	1,013,055	1,013,055	-	-
Money market funds ¹	14,093	14,093	-	-
Mutual funds ¹	244,422	244,422	-	-
Corporate bonds	528,467	528,467	-	-
Municipal bonds	<u>1,097,165</u>	<u>-</u>	<u>1,097,165</u>	<u>-</u>
	<u>\$ 5,138,834</u>	<u>\$ 4,041,669</u>	<u>\$ 1,097,165</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, 2020</u>				
Common stock	\$ 1,722,002	\$ 1,722,002	\$ -	\$ -
Mutual funds	646,856	646,856	-	-
Money market funds ¹	30,329	30,329	-	-
Mutual funds ¹	183,839	183,839	-	-
Corporate bonds	710,740	710,740	-	-
Municipal bonds	<u>1,008,621</u>	<u>-</u>	<u>1,008,621</u>	<u>-</u>
	<u>\$ 4,302,387</u>	<u>\$ 3,293,766</u>	<u>\$ 1,008,621</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.

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2021 and 2020

Note 3 – Investment Securities and Certificates of Deposit

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

	<u>2021</u>	<u>2020</u>
Common stock – equity (at fair value)	\$ 2,241,632	\$ 1,722,002
Mutual funds (at fair value)	1,013,055	646,856
Corporate and municipal bonds (at fair value)	<u>1,625,632</u>	<u>1,719,361</u>
	<u>\$ 4,880,319</u>	<u>\$ 4,088,219</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends net of expenses of \$24,314 and \$22,705, respectively	\$ 101,367	\$ 115,874
Realized gain on investment securities	23,521	23,734
Unrealized gain (loss) on investment securities	<u>674,619</u>	<u>86,712</u>
	<u>\$ 799,507</u>	<u>\$ 226,320</u>

Note 4 – Property, Building and Equipment

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

	<u>2021</u>	<u>2020</u>
Automobiles	\$ 156,898	\$ 156,898
Office furniture and equipment	1,007,877	1,093,043
Building	2,313,272	2,313,272
Land	<u>84,077</u>	<u>84,077</u>
	<u>\$ 3,562,124</u>	<u>\$ 3,647,290</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$103,611 and \$106,704, 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.

See independent auditor’s report.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2021 and 2020

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>2021</u>	<u>2020</u>
Projected benefit obligation	\$ (13,791,545)	\$ (14,372,677)
Plan assets at fair value	<u>10,605,036</u>	<u>9,300,429</u>
Funded status, included in pension and deferred compensation liabilities on the statements of financial position	\$ <u>(3,186,509)</u>	\$ <u>(5,072,248)</u>
Employer contributions	\$ <u>230,603</u>	\$ <u>342,590</u>
Accumulated benefit obligation	\$ <u>(13,791,545)</u>	\$ <u>(14,372,677)</u>
Benefits paid	\$ <u>657,660</u>	\$ <u>673,722</u>

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

	<u>2021</u>	<u>2020</u>
Interest cost	\$ 340,879	\$ 415,432
Actual (gain) loss on plan assets	(1,731,664)	(417,572)
Net asset gain (loss) deferred for later recognition	1,608,053	184,416
Amortization of net loss from earlier periods	<u>520,395</u>	<u>364,544</u>
Net periodic pension cost	737,663	546,820
Pension related changes other than net periodic pension cost	<u>(2,392,799)</u>	<u>1,126,786</u>
	\$ <u>(1,655,136)</u>	\$ <u>1,673,606</u>

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

	<u>2021</u>	<u>2020</u>
Discount rate	2.58%	2.43%
Rates of increase in compensation (due to freeze)	0.00%	0.00%
Expected long-term rate of return on assets	2.57%	2.57%

See independent auditor’s report.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2021 and 2020

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, 2021, 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 Fair Value</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
Cash	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
Equity securities:				
Common stock	2,009,908	-	-	2,009,908
Exchange traded funds	45,489	-	-	45,489
Mutual funds	<u>2,491,808</u>	<u> -</u>	<u> -</u>	<u>2,491,808</u>
	<u>4,547,205</u>	<u> -</u>	<u> -</u>	<u>4,547,205</u>
Fixed income:				
Money market funds	282,195	-	-	282,195
Mutual funds	2,166,272	-	-	2,166,272
Corporate bonds	749,536	-	-	749,536
Municipal bonds	<u> -</u>	<u>2,859,828</u>	<u> -</u>	<u>2,859,828</u>
	<u>3,198,003</u>	<u>2,859,828</u>	<u> -</u>	<u>6,057,831</u>
Total	\$ <u>7,745,208</u>	\$ <u>2,859,828</u>	\$ <u> -</u>	\$ <u>10,605,036</u>

See independent auditor’s report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2021 and 2020

Note 5 – Pension Plan – Continued

The Association’s asset allocation at June 30, 2020 was as follows:

Equity	40%	\$ 3,697,644
Fixed income	58%	5,421,481
Cash	2%	<u>181,304</u>
 Total	 100%	 \$ <u>9,300,429</u>

The Associations’ target asset allocation as of June 30, 2021, by asset category, is as follows:

Equity	30-60%
Fixed income	40-65%
Cash	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, 2022.

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

Years Ending <u>June 30,</u>	
2022	\$ 693,459
2023	699,656
2024	714,056
2025	700,742
2026	693,702
2027-2031	<u>3,467,495</u>
	 \$ <u>6,969,110</u>

See independent auditor’s report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2021 and 2020

Note 5 – Pension Plan – Continued

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

	<u>July 1, 2020</u>	Reclassified as Net Periodic <u>Benefit Cost</u>	Amounts Arising <u>During Period</u>	<u>June 30, 2021</u>
Net loss	\$ <u>4,044,535</u>	\$ <u>(520,395)</u>	\$ <u>(1,872,404)</u>	\$ <u>1,651,736</u>

	<u>July 1, 2019</u>	Reclassified as Net Periodic <u>Benefit Cost</u>	Amounts Arising <u>During Period</u>	<u>June 30, 2020</u>
Net loss	\$ <u>2,917,749</u>	\$ <u>(364,544)</u>	\$ <u>1,491,330</u>	\$ <u>4,044,535</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 \$-0- and \$80,893 for the years ending June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Projected benefit obligation	\$ (1,406,611)	\$ (1,469,382)
Fair value of plan assets	<u>258,515</u>	<u>214,168</u>
Funded status	\$ <u>(1,148,096)</u>	\$ <u>(1,255,214)</u>
Accrued benefit cost included in long-term pension and deferred compensation liabilities	\$ <u>(1,406,611)</u>	\$ <u>(1,469,382)</u>
Accumulated benefit obligation	\$ <u>(1,406,611)</u>	\$ <u>(1,469,382)</u>
Employer contribution	\$ <u>100,000</u>	\$ <u>-</u>
Benefits paid	\$ <u>58,369</u>	\$ <u>56,669</u>

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2021 and 2020

Note 6 – Employee Benefit Plans – Continued

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

	<u>2021</u>	<u>2020</u>
Interest cost	\$ 35,228	\$ 42,823
Actual return on plan assets	(2,716)	(8,315)
Net asset gain (loss) deferred for later recognition	(1,979)	320
Amortization of net loss from earlier period	<u>13,959</u>	<u>6,397</u>
Net periodic benefit cost	44,492	41,225
Benefit related changes other than net periodic benefit cost	<u>(7,263)</u>	<u>115,425</u>
	<u>\$ 37,229</u>	<u>\$ 156,650</u>

Amounts used to determine benefit obligation as of June 30:

	<u>2021</u>	<u>2020</u>
Discount rate	2.60%	2.45%
Rates of increase in compensation	N/A	N/A
Expected long-term rate of return on assets	0.925%	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>	
2022	\$ 59,913
2023	61,230
2024	62,535
2025	63,821
2026	63,614
2027-2031	<u>332,619</u>
	<u>\$ 643,732</u>

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ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2021 and 2020

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.

Note 8 – Leases

The Association leases certain office equipment under noncancelable operating leases with monthly payments between \$134 and \$352, expiring between June 30, 2022 and November 30, 2023. Future minimum lease payments are as follows:

Years Ending June 30,	
2022	11,723
2023	5,675
2024	1,045
2025	-
2026	-
Total	\$ <u>18,443</u>

Total lease expense for the years ended June 30, 2021 and 2020 was \$14,059 and \$13,569, 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.

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2021 and 2020

Note 10 – Association Liquidity

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

Financial assets:	<u>2021</u>	<u>2020</u>
Cash	\$ 1,161,912	\$ 1,788,748
Investments	4,880,319	4,088,219
Accounts receivable	326,216	357,148
Accrued interest receivable	13,263	14,078
Due from IHSA Foundation	121	52
Non-qualified deferred compensation plan	<u>258,515</u>	<u>214,168</u>
Total financial assets	6,640,346	6,462,413
Less those unavailable for general expenditure within one year, due to:		
Donor restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs	<u>\$ 6,640,346</u>	<u>\$ 6,462,413</u>

In the event of an unanticipated liquidity need, the Association could draw upon \$1,000,000 of available line of credit (as further discussed in Note 12).

Note 11 – Note Payable

During 2020, the Association received a note payable through the Payroll Protection Program from Citizens Equity First Credit Union, at a fixed rate of 1.00%, with all principal and accrued and unpaid interest due upon maturity in April 2022. On November 3, 2020, the Association received confirmation that the note payable through the Payroll Protection Program from Citizens Equity First Credit Union had been forgiven in full, including any accrued and unpaid interest.

During 2021, the Association received a note payable through the Payroll Protection Program from Citizens Equity First Credit Union, at a fixed rate of 1.00%, with all principal and accrued and unpaid interest due upon maturity in April 2022. As part of the CARES Act, there is a mechanism for potential loan forgiveness via the Small Business Administration (see Note 14).

Note 12 – Line of Credit

During 2021, the Association received an operating line of credit with a bank. The Association may borrow up to \$1,000,000 at a variable rate of interest of the US Prime Rate, which was 3.25% as of June 30, 2021. The Association’s outstanding balance at June 30, 2021 was \$-0-, matures November 12, 2021, and is collateralized by the investments of the Association. The line of credit is subject to certain financial covenants, which were in compliance as of June 30, 2021.

See independent auditor’s report.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2021 and 2020

Note 13 – 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, 2021, 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 2018 are closed.

Note 14 – Subsequent Events

On October 18, 2021, the Association received confirmation that the note payable through the Payroll Protection Program from Citizens Equity First Credit Union had been forgiven in full, including any accrued and unpaid interest.

Except for the item described above, no other events have occurred subsequent to June 30, 2021, that are required to be disclosed in the financial statements. This evaluation was made as of November 23, 2021, 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, 2021

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Athletic officials:			
Dues and registration	\$ <u>793,936</u>	\$ <u>196,632</u>	\$ <u>597,304</u>
Boys athletic tournaments:			
Baseball	\$ 252,114	\$ 55,270	196,844
Basketball	-	-	-
Bass fishing	28,100	4,384	23,716
Bowling	-	975	(975)
Cross country	49,800	28,759	21,041
Football	-	1,683	(1,683)
Golf	52,294	18,759	33,535
Gymnastics	8,570	8,604	(34)
Lacrosse	35,282	10,464	24,818
Soccer	-	2,990	(2,990)
Swimming	-	1,875	(1,875)
Tennis	27,700	17,012	10,688
Track and field	129,979	78,632	51,347
Volleyball	46,944	11,072	35,872
Wrestling	-	3,837	(3,837)
Water polo	<u>7,500</u>	<u>3,349</u>	<u>4,151</u>
	\$ <u>638,283</u>	\$ <u>247,665</u>	<u>390,618</u>
Girls athletic tournaments:			
Badminton	\$ 9,700	\$ 8,188	1,512
Basketball	-	2,251	(2,251)
Bowling	-	384	(384)
Cross country	48,900	28,684	20,216
Golf	44,294	13,733	30,561
Gymnastics	-	1,257	(1,257)
Lacrosse	25,726	8,716	17,010
Soccer	112,130	31,499	80,631
Softball	137,941	25,072	112,869
Swimming	23,500	16,410	7,090
Tennis	30,100	11,079	19,021
Track and field	124,438	78,038	46,400
Volleyball	-	2,412	(2,412)
Water polo	<u>7,300</u>	<u>3,348</u>	<u>3,952</u>
	\$ <u>564,029</u>	\$ <u>231,071</u>	<u>332,958</u>

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Schedule of Revenues and Expenses – Continued
For the Year Ended June 30, 2021

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Contests:			
Dance team	\$ 20,000	\$ 13,255	\$ 6,745
Music	105,295	54,010	51,285
Speech	61,880	24,656	37,224
Chess	11,400	1,365	10,035
Scholastic bowl	40,835	20,411	20,424
Competitive cheerleading	25,000	13,993	11,007
Journalism	<u>19,300</u>	<u>7,790</u>	<u>11,510</u>
	<u>\$ 283,710</u>	<u>\$ 135,480</u>	<u>148,230</u>
Other revenue, gains, and other support:			
Donations	\$ 729,112	\$ -	729,112
Publications	21,336	45,918	(24,582)
Souvenirs	4,116	7,054	(2,938)
Gain on sale of assets	15,582	-	15,582
Miscellaneous	54,559	-	54,559
Debt forgiveness	466,633	-	466,633
Radio and television	2,150	-	2,150
Awards	-	153,437	(153,437)
Sportsmanship	-	-	-
Drug testing	-	-	-
Royalty income	173,671	-	173,671
Contract services	56,118	-	56,118
TV / Internet income	91,645	-	91,645
Public relations	-	-	-
Special events	<u>-</u>	<u>5,604</u>	<u>(5,604)</u>
	<u>\$ 1,614,922</u>	<u>\$ 212,013</u>	<u>1,402,909</u>
Investment income, net			<u>799,507</u>
Total before administrative expenses			3,671,526
Administrative expenses			<u>3,697,006</u>
Change in net assets before pension related changes other than net periodic pension costs			\$ <u>(25,480)</u>

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Schedule of Revenues and Expenses
For the Year Ended June 30, 2020

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Athletic officials:			
Dues and registration	\$ <u>959,909</u>	\$ <u>435,957</u>	\$ <u>523,952</u>
Boys athletic tournaments:			
Baseball	\$ 4,375	\$ -	4,375
Basketball	1,256,439	734,105	522,334
Bass fishing	25,100	211	24,889
Bowling	26,053	17,485	8,568
Cross country	20,039	75,296	(55,257)
Football	1,656,504	791,296	865,208
Golf	5,200	45,885	(40,685)
Gymnastics	-	2,844	(2,844)
Lacrosse	-	2,045	(2,045)
Soccer	332,083	241,257	90,826
Swimming	60,431	52,243	8,188
Tennis	-	1,713	(1,713)
Track and field	100	3,853	(3,753)
Volleyball	-	2,353	(2,353)
Wrestling	583,241	433,442	149,799
Water polo	<u>-</u>	<u>967</u>	<u>(967)</u>
	<u>\$ 3,969,565</u>	<u>\$ 2,404,995</u>	<u>1,564,570</u>
Girls athletic tournaments:			
Badminton	\$ -	\$ 1,831	(1,831)
Basketball	762,919	721,454	41,465
Bowling	25,943	15,206	10,737
Cross country	19,839	75,296	(55,457)
Golf	600	26,454	(25,854)
Gymnastics	37,305	51,283	(13,978)
Lacrosse	-	-	-
Soccer	-	3,040	(3,040)
Softball	4,375	2,172	2,203
Swimming	60,845	58,997	1,848
Tennis	600	26,063	(25,463)
Track and field	-	3,853	(3,853)
Volleyball	606,335	392,649	213,686
Water polo	<u>-</u>	<u>967</u>	<u>(967)</u>
	<u>\$ 1,518,761</u>	<u>\$ 1,379,265</u>	<u>139,496</u>

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Schedule of Revenues and Expenses – Continued
For the Year Ended June 30, 2020

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Contests:			
Dance team	\$ 112,134	\$ 69,196	\$ 42,938
Music	130,426	141,111	(10,685)
Speech	36,785	116,008	(79,223)
Chess	100	30,938	(30,838)
Scholastic bowl	1,550	26,559	(25,009)
Competitive cheerleading	184,589	96,476	88,113
Journalism	<u>-</u>	<u>1,794</u>	<u>(1,794)</u>
	<u>\$ 465,584</u>	<u>\$ 482,082</u>	<u>(16,498)</u>
Other revenue, gains, and other support:			
Donations	\$ 705,463	\$ -	705,463
Publications	64,011	128,440	(64,429)
Souvenirs	82,611	9,315	73,296
Gain on sale of assets	-	-	-
Miscellaneous	3,402	-	3,402
Radio and television	11,125	-	11,125
Awards	-	185,911	(185,911)
Sportsmanship	-	2,126	(2,126)
Drug testing	-	-	-
Royalty income	260,861	-	260,861
Contract services	57,180	-	57,180
TV / Internet income	273,750	150,000	123,750
Public relations	-	-	-
Special events	<u>221,910</u>	<u>115,176</u>	<u>106,734</u>
	<u>\$ 1,680,313</u>	<u>\$ 590,968</u>	<u>1,089,345</u>
Investment income, net			<u>226,320</u>
Total before administrative expenses			3,527,185
Administrative expenses			<u>4,103,383</u>
Change in net assets before pension related changes other than net periodic pension costs			<u>\$ (576,198)</u>

See independent auditor's report.