

**ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois**

Financial Statements

June 30, 2022 and 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
Financial Statements:	
Statements of Financial Position	5
Statements of Activities.....	6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information:	
Schedule of Revenues and Expenses – June 30, 2022	25
Schedule of Revenues and Expenses – June 30, 2021	27



Independent Auditor's Report

To the Board of Directors
Illinois High School Association
Bloomington, Illinois

Opinion

We have audited the accompanying financial statements of Illinois High School Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Illinois High School Association as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Illinois High School Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Illinois High School Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

ILLINOIS HIGH SCHOOL ASSOCIATION
Independent Auditor's Report – Continued
June 30, 2022 and 2021

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Illinois High School Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Illinois High School Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is 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 21, 2022

ILLINOIS HIGH SCHOOL ASSOCIATION
Statements of Financial Position
June 30,

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash	\$ 2,552,070	\$ 1,161,912
Investment securities	4,393,481	4,880,319
Accounts receivable	705,436	326,216
Accrued interest receivable	15,018	13,263
Due from IHSA Foundation	-	121
Prepaid expenses	<u>49,553</u>	<u>150,431</u>
Total current assets	<u>7,715,558</u>	<u>6,532,262</u>
Other assets	<u>278,547</u>	<u>258,515</u>
Property, building and equipment	3,659,485	3,562,124
Less: accumulated depreciation	<u>(2,648,348)</u>	<u>(2,552,528)</u>
	<u>1,011,137</u>	<u>1,009,596</u>
Total assets	<u>\$ 9,005,242</u>	<u>\$ 7,800,373</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 206,234	\$ 209,335
Accrued expenses	121,002	99,348
Deferred revenue	503,956	204,365
Due to IHSA Foundation	<u>645</u>	<u>-</u>
Total current liabilities	831,837	513,048
Note Payable	-	411,095
Pension and deferred compensation	<u>3,105,013</u>	<u>4,593,120</u>
Total liabilities	3,936,850	5,517,263
Net assets:		
Net assets without donor restrictions	<u>5,068,392</u>	<u>2,283,110</u>
Total liabilities and net assets	<u>\$ 9,005,242</u>	<u>\$ 7,800,373</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>2022</u>	<u>2021</u>
Revenues, gains and other support:		
Athletic officials	\$ 827,963	\$ 793,936
Athletic tournaments - boys	5,947,474	638,283
Athletic tournaments - girls	2,277,095	564,029
Contests	434,890	283,710
Investment income, net	(526,596)	799,507
Other	<u>2,788,646</u>	<u>1,614,922</u>
Total revenues, gains and other support	<u>11,749,472</u>	<u>4,694,387</u>
Program expenses:		
Athletic officials	249,273	196,632
Athletic tournaments - boys	3,276,384	247,665
Athletic tournaments - girls	1,890,642	231,071
Contests	491,703	135,480
Other	<u>660,097</u>	<u>212,013</u>
Total program expenses	<u>6,568,099</u>	<u>1,022,861</u>
Excess of revenues, gains and other support over expenses before administrative expenses	5,181,373	3,671,526
Administrative expenses	<u>(3,774,355)</u>	<u>(3,697,006)</u>
Increase (decrease) in net assets from operations	1,407,018	(25,480)
Pension-related changes other than net periodic pension costs	<u>1,378,264</u>	<u>2,400,062</u>
Total change in net assets	2,785,282	2,374,582
Net assets at beginning of year	<u>2,283,110</u>	<u>(91,472)</u>
Net assets at end of year	<u>\$ 5,068,392</u>	<u>\$ 2,283,110</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>2022</u>	<u>2021</u>
Program expenses:		
Athletic officials	\$ 249,273	\$ 196,632
Athletic tournaments	5,167,026	478,736
Contests	491,703	135,480
Publications	58,551	45,918
Souvenirs	2,918	7,054
Awards	314,543	153,437
Sportsmanship	863	-
TV/Internet	275,000	-
Special Events	<u>8,222</u>	<u>5,604</u>
Total program expenses	<u>6,568,099</u>	<u>1,022,861</u>
General and administrative expenses:		
Actuarial services	23,533	24,472
Audit and legal services	131,031	125,392
Automobile	20,328	4,254
Bad debt expense	400	140
Board of Directors	42,407	3,831
Building improvements	11,684	8,295
Building utilities	62,565	50,405
Committee expenses	18,389	3,421
Depreciation	95,820	103,611
Employee expense	40,837	9,415
Insurance	609,556	635,709
Maintenance	26,058	14,059
Miscellaneous	-	15,111
Office expenses	125,724	95,621
Postage	57,503	26,190
Printing	24,444	-
Promotion	-	-
Retirement expenses:		
Pension	191,907	737,663
Contributions – 401(k)	238,476	-
Deferred compensation	45,987	44,492
Salaries and related taxes	1,989,307	1,781,812
Sales tax	2,283	1,897
Sponsorship	150	-
Telephone	<u>15,966</u>	<u>11,216</u>
Total general and administrative expenses	<u>3,774,355</u>	<u>3,697,006</u>
Total expenses	<u>\$ 10,342,454</u>	<u>\$ 4,719,867</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,

	2022	2021
Cash flows from (used in) operating activities:		
Change in net assets	\$ 2,785,282	\$ 2,374,582
Adjustments to reconcile change in net assets to cash from (used in) operating activities:		
Bad debt expense	400	140
Depreciation	95,820	103,611
(Gain) loss on sale of fixed assets	-	(15,582)
Realized (gain) loss on sale of investments	(27,208)	(23,521)
Unrealized (gain) loss on investments	688,579	(674,619)
Debt forgiveness – PPP Loan	(411,095)	(466,633)
Change in operating assets and liabilities:		
Accounts receivable	(379,620)	30,792
Accrued interest receivable	(1,755)	815
Prepaid expenses	100,878	(92,061)
Accounts payable	(3,101)	(18,877)
Accrued expenses	21,654	(18,823)
Deferred revenue	299,591	(145,180)
Pension and deferred compensation liabilities	(1,488,107)	(1,948,510)
Due to/from IHSA Foundation	766	(69)
Net cash from (used in) operating activities	1,682,084	(893,935)
Cash flows from (used in) investing activities:		
Purchase of fixed assets	(97,361)	(18,189)
Proceeds from sale of fixed assets	-	12,500
Purchase of investments held in rabbi trust	(80,152)	(102,716)
Proceeds from sale of investments held in rabbi trust	60,120	58,369
Purchase of investments	(628,864)	(1,032,256)
Proceeds from sale of investments	454,331	938,296
Net cash from (used in) investing activities	(291,926)	(143,996)
Cash flows from (used in) financing activities:		
Proceeds from PPP Loan	-	411,095
Net cash from (used in) financing activities	-	411,095
Change in cash	1,390,158	(626,836)
Cash at beginning of year	1,161,912	1,788,748
Cash at end of year	\$ 2,552,070	\$ 1,161,912

The accompanying notes are an integral part of these statements.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements

June 30, 2022 and 2021

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

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, 2022 and 2021.

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, 2022 and 2021

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

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, 2022 and 2021 was \$400 and \$140, respectively.

Certificates of Deposit

Certificates of deposit 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, 2022 and 2021

Note 1 – Summary of Accounting Policies – Continued

Other Assets

As further described in Note 7, 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 (between three and forty years), principally on the straight-line basis. An addition of equipment in an amount that does not exceed \$2,500 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.

Advertising

The Association expenses advertising costs as incurred. Total advertising expense was \$-0- and \$-0- for the years ending June 30, 2022 and 2021, respectively.

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. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires or otherwise met, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2022 and 2021

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 2022 and 2021, 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 and membership 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 – Revenue from Contracts with Customers

Contract Assets and Liabilities

The Association had the following contract assets and liabilities for the years ended June 30:

<u>Accounts receivable</u>		
Beginning of year	\$ 326,216	\$ 357,148
End of year	705,436	326,216
<u>Deferred revenue</u>		
Beginning of year	\$ 204,365	\$ 349,545
End of year	503,956	204,365

Disaggregated Revenues from Contracts with Customers

For the years ended June 30, 2022 and 2021, the Association recognized \$10,700,832 and \$2,628,994, respectively from contracts with customers. Revenue recognized for services transferred over time was \$1,743,359 and \$1,059,252 for the years ended June 30, 2022 and 2021, respectively. Revenue recognized for services and goods transferred at a point in time was \$8,957,473 and \$1,569,742 for the years ended June 30, 2022 and 2021, respectively.

Note 3 – 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:

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2022 and 2021

Note 3 – Fair Value Measurements – Continued

- 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. 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:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
<u>June 30, 2022</u>				
Common stock	\$ 1,792,644	\$ 1,792,644	\$ -	\$ -
Mutual funds	953,614	953,614	-	-
Money market funds ¹	31,773	31,773	-	-
Mutual funds ¹	246,774	246,774	-	-
Corporate bonds	568,551	568,551	-	-
Municipal bonds	<u>1,078,672</u>	<u>-</u>	<u>1,078,672</u>	<u>-</u>
	<u>\$ 4,672,028</u>	<u>\$ 3,593,356</u>	<u>\$ 1,078,672</u>	<u>\$ -</u>

See independent auditor’s report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2022 and 2021

Note 3 – Fair Value Measurements – Continued

	Fair Value	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
<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>

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.

Note 4 – Investment Securities and Certificates of Deposit

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

	<u>2022</u>	<u>2021</u>
Common stock – equity (at fair value)	\$ 1,792,644	\$ 2,241,632
Mutual funds (at fair value)	953,614	1,013,055
Corporate and municipal bonds (at fair value)	<u>1,647,223</u>	<u>1,625,632</u>
	<u>\$ 4,393,481</u>	<u>\$ 4,880,319</u>

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

	<u>2022</u>	<u>2021</u>
Interest and dividends net of expenses of \$25,453 and \$24,314, respectively	\$ 134,775	\$ 101,367
Realized gain on investment securities	27,208	23,521
Unrealized gain (loss) on investment securities	<u>(688,579)</u>	<u>674,619</u>
	<u>\$ (526,596)</u>	<u>\$ 799,507</u>

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2022 and 2021

Note 5 – Property, Building and Equipment

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

	<u>2022</u>	<u>2021</u>
Automobiles	\$ 165,662	\$ 156,898
Office furniture and equipment	1,096,474	1,007,877
Building	2,313,272	2,313,272
Land	<u>84,077</u>	<u>84,077</u>
	<u>\$ 3,659,485</u>	<u>\$ 3,562,124</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$95,820 and \$103,611, respectively.

Note 6 – 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.

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

	<u>2022</u>	<u>2021</u>
Projected benefit obligation	\$ (11,068,023)	\$ (13,791,545)
Plan assets at fair value	<u>9,085,412</u>	<u>10,605,036</u>
Funded status, included in pension and deferred compensation liabilities on the statements of financial position	<u>\$ (1,982,611)</u>	<u>\$ (3,186,509)</u>
Employer contributions	<u>\$ 247,737</u>	<u>\$ 230,603</u>
Accumulated benefit obligation	<u>\$ (11,068,023)</u>	<u>\$ (13,791,545)</u>
Benefits paid	<u>\$ 699,485</u>	<u>\$ 657,660</u>

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2022 and 2021

Note 6 – Pension Plan – Continued

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

	<u>2022</u>	<u>2021</u>
Interest cost	\$ 346,131	\$ 340,879
Actual (gain) loss on plan assets	1,067,876	(1,731,664)
Net asset gain (loss) deferred for later recognition	(1,222,100)	1,608,053
Amortization of net loss from earlier periods	<u>-</u>	<u>520,395</u>
Net periodic pension cost	191,907	737,663
Pension related changes other than net periodic pension cost	<u>(1,148,068)</u>	<u>(2,392,799)</u>
	<u>\$ (956,161)</u>	<u>\$ (1,655,136)</u>

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

	<u>2022</u>	<u>2021</u>
Discount rate	4.37%	2.58%
Rates of increase in compensation (due to freeze)	0.00%	0.00%
Expected long-term rate of return on assets	2.57%	2.57%

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.

See independent auditor’s report.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2022 and 2021

Note 6 – Pension Plan – Continued

The following table summarizes plan assets measured at fair value as of June 30, 2022, 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>			Total Fair Value
	<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	1,560,299	-	-	1,560,299
Exchange traded funds	2,012,851	-	-	2,012,851
Mutual funds	<u> 106,012</u>	<u> -</u>	<u> -</u>	<u> 106,012</u>
	<u> 3,679,162</u>	<u> -</u>	<u> -</u>	<u> 3,679,162</u>
Fixed income:				
Money market funds	307,185	-	-	307,185
Mutual funds	1,983,031	-	-	1,983,031
Corporate bonds	588,662	-	-	588,662
Municipal bonds	<u> -</u>	<u> 2,527,372</u>	<u> -</u>	<u> 2,527,372</u>
	<u> 2,878,878</u>	<u> 2,527,372</u>	<u> -</u>	<u> 5,406,250</u>
Total	\$ <u> 6,558,040</u>	\$ <u> 2,527,372</u>	\$ <u> -</u>	\$ <u> 9,085,412</u>

See independent auditor’s report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2022 and 2021

Note 5 – Pension Plan – Continued

The Association’s asset allocation as of June 30, 2021 was as follows:

Equity	43%	\$ 4,547,205
Fixed income	57%	6,057,831
Cash	0%	<u> -</u>
 Total	 100%	 \$ <u>10,605,036</u>

The Associations’ target asset allocation as of June 30, 2022, 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>	
2023	\$ 713,104
2024	727,638
2025	714,192
2026	707,011
2027	709,612
2028-2032	<u>3,500,572</u>
	 \$ <u>7,072,129</u>

See independent auditor’s report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2022 and 2021

Note 6 – Pension Plan – Continued

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

	<u>July 1, 2021</u>	Reclassified as Net Periodic <u>Benefit Cost</u>	Amounts Arising <u>During Period</u>	<u>June 30, 2022</u>
Net loss	\$ <u>1,651,736</u>	\$ <u>-</u>	\$ <u>(1,148,068)</u>	\$ <u>503,668</u>
	<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>

Note 7 – 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 \$238,476 and \$-0- for the years ending June 30, 2022 and 2021, 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 as of June 30:

	<u>2022</u>	<u>2021</u>
Projected benefit obligation	\$ <u>(1,122,402)</u>	\$ <u>(1,406,611)</u>
Fair value of plan assets	<u>278,547</u>	<u>258,515</u>
Funded status	\$ <u>(843,855)</u>	\$ <u>(1,148,096)</u>
Accrued benefit cost included in long-term pension and deferred compensation liabilities	\$ <u>(1,122,402)</u>	\$ <u>(1,406,611)</u>
Accumulated benefit obligation	\$ <u>(1,122,402)</u>	\$ <u>(1,406,611)</u>
Employer contribution	\$ <u>100,000</u>	\$ <u>100,000</u>
Benefits paid	\$ <u>60,120</u>	\$ <u>58,369</u>

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2022 and 2021

Note 6 – Employee Benefit Plans – Continued

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

	<u>2022</u>	<u>2021</u>
Interest cost	\$ 35,728	\$ 35,228
Actual return on plan assets	19,848	(2,716)
Net asset gain (loss) deferred for later recognition	(21,939)	(1,979)
Amortization of net loss from earlier period	<u>12,350</u>	<u>13,959</u>
Net periodic benefit cost	45,987	44,492
Benefit related changes other than net periodic benefit cost	<u>(230,196)</u>	<u>(7,263)</u>
	<u>\$ (184,209)</u>	<u>\$ 37,229</u>

Amounts used to determine benefit obligation as of June 30:

	<u>2022</u>	<u>2021</u>
Discount rate	4.41%	2.60%
Rates of increase in compensation	N/A	N/A
Expected long-term rate of return on assets	0.925%	0.925%

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

<u>Years Ended June 30,</u>	
2023	\$ 61,694
2024	63,015
2025	64,318
2026	64,113
2027	64,844
2028-2032	<u>340,615</u>
	<u>\$ 658,599</u>

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2022 and 2021

Note 8 – 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 9 – Leases

The Association leases certain office equipment under noncancelable operating leases with monthly payments between \$134 and \$352, expiring between June 30, 2022 and June 30, 2027. Future minimum lease payments are as follows:

Years Ending June 30,	
2023	\$ 8,666
2024	4,036
2025	2,991
2026	2,991
2027	<u>2,991</u>
Total	\$ <u>21,675</u>

Total lease expense for the years ended June 30, 2022 and 2021 was \$14,059 and \$13,569, respectively.

Note 10 – 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, 2022 and 2021

Note 11 – 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>2022</u>	<u>2021</u>
Cash	\$ 2,547,110	\$ 1,161,912
Investments	4,393,481	4,880,319
Accounts receivable	705,436	326,216
Accrued interest receivable	15,018	13,263
Non-qualified deferred compensation plan	<u>278,547</u>	<u>258,515</u>
Total financial assets	7,939,592	6,640,225
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>7,939,592</u>	\$ <u>6,640,225</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 13). The Association structures its financial assets to be available as its general expenditures, liabilities and other obligations come due which provides the Association with liquidity sustainability for future operations and eliminates any unanticipated liquidity needs.

Note 12 – Note Payable

During the year ended June 30, 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 the year ended June 30, 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 2023. 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.

See independent auditor’s report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2022 and 2021

Note 13 – Line of Credit

During the year ended June 30, 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 5.50% and 3.25% as of June 30, 2022 and 2021, respectively. The Association's outstanding balance as of June 30, 2022 and 2021 was \$-0-, matures November 12, 2022, 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, 2022.

Note 14 – 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, 2022, 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 2019 are closed.

Note 15 – Subsequent Events

No events have occurred subsequent to June 30, 2022, that are required to be disclosed in the financial statements. This evaluation was made as of November 21, 2022, the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ILLINOIS HIGH SCHOOL ASSOCIATION

Schedule of Revenues and Expenses

For the Year Ended June 30, 2022

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Athletic officials:			
Dues and registration	\$ <u>827,963</u>	\$ <u>249,273</u>	\$ <u>578,690</u>
Boys athletic tournaments:			
Baseball	\$ 489,256	\$ 282,643	206,613
Basketball	2,019,281	914,865	1,104,416
Bass fishing	300	6,286	(5,986)
Bowling	14,341	16,151	(1,810)
Cross country	19,644	65,563	(45,919)
Football	1,928,248	850,090	1,078,158
Golf	10,069	48,295	(38,226)
Gymnastics	15,556	24,520	(8,964)
Lacrosse	51,825	38,562	13,263
Soccer	468,297	264,764	203,533
Swimming	78,329	63,871	14,458
Tennis	-	27,249	(27,249)
Track and field	190,148	112,457	77,691
Volleyball	113,430	103,932	9,498
Wrestling	514,990	431,388	83,602
Water polo	<u>33,760</u>	<u>25,748</u>	<u>8,012</u>
	\$ <u>5,947,474</u>	\$ <u>3,276,384</u>	<u>2,671,090</u>
Girls athletic tournaments:			
Badminton	\$ 10,767	\$ 9,313	1,454
Basketball	665,096	591,559	73,537
Bowling	24,611	9,015	15,596
Cross country	19,644	65,563	(45,919)
Golf	3,559	24,334	(20,775)
Gymnastics	27,324	48,148	(20,824)
Lacrosse	40,712	32,872	7,840
Soccer	282,852	204,911	77,941
Softball	293,474	250,145	43,329
Swimming	78,233	62,089	16,144
Tennis	-	25,445	(25,445)
Track and field	148,703	108,609	40,094
Volleyball	622,977	394,940	228,037
Water polo	34,348	25,808	8,540
Wrestling	<u>24,795</u>	<u>37,891</u>	<u>(13,096)</u>
	\$ <u>2,277,095</u>	\$ <u>1,890,642</u>	<u>386,453</u>

See independent auditor's report.

ILLINOIS HIGH SCHOOL ASSOCIATION
Schedule of Revenues and Expenses – Continued
For the Year Ended June 30, 2022

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Contests:			
Dance team	\$ 101,717	\$ 67,742	\$ 33,975
Music	111,387	121,732	(10,345)
Speech	55,504	129,413	(73,909)
Chess	1,800	30,725	(28,925)
Scholastic bowl	960	37,437	(36,477)
Competitive cheerleading	149,612	89,118	60,494
E-Sports	1,500	4,083	(2,583)
Journalism	<u>12,410</u>	<u>11,453</u>	<u>957</u>
	<u>\$ 434,890</u>	<u>\$ 491,703</u>	<u>(56,813)</u>
Other revenue, gains, and other support:			
Donations	\$ 1,139,360	\$ -	1,139,360
Membership fees	497,313	-	497,313
Publications	31,595	58,551	(26,956)
Souvenirs	184,300	2,918	181,382
Gain on sale of assets	-	-	-
Miscellaneous	24,781	-	24,781
Debt forgiveness	411,095	-	411,095
Radio and television	25,175	-	25,175
Awards	-	314,543	(314,543)
Sportsmanship	-	863	(863)
Royalty income	264,403	-	264,403
Contract services	56,944	-	56,944
TV / Internet income	153,680	275,000	(121,320)
Special events	<u>-</u>	<u>8,222</u>	<u>(8,222)</u>
	<u>\$ 2,788,646</u>	<u>\$ 660,097</u>	<u>2,128,549</u>
Investment income, net			<u>(526,596)</u>
Total before administrative expenses			5,181,373
Administrative expenses			<u>3,774,355</u>
Change in net assets before pension related changes other than net periodic pension costs			<u>\$ 1,407,018</u>

See independent auditor's report.

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.