

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Financial Statements

June 30, 2014 and 2013

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Independent Auditors' Report

Board of Directors
Illinois High School Association

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, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois High School Association as of June 30, 2014 and 2013, 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 Matters

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

Striegel Knobloch & Company LLC

Bloomington, Illinois

January 7, 2015

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Statements of Financial Position

June 30,

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets:		
Cash and cash equivalents (Note 1)	\$ 2,538,017	\$ 2,360,463
Investment securities (Notes 2 and 3)	2,624,571	2,372,134
Accounts receivable (Note 1)	235,267	213,262
Accrued interest receivable	18,899	15,865
Prepaid expenses	<u>105,375</u>	<u>85,506</u>
Total current assets	<u>5,522,129</u>	<u>5,047,230</u>
Other Assets (Note 2)	<u>103,905</u>	<u>59,487</u>
Property, Building and Equipment (Notes 1 and 4)	3,381,849	3,339,037
Less: accumulated depreciation	<u>(1,939,752)</u>	<u>(1,826,090)</u>
	<u>1,442,097</u>	<u>1,512,947</u>
Total assets	<u>\$ 7,068,131</u>	<u>\$ 6,619,664</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 59,302	\$ 92,052
Accrued expenses	59,653	41,906
Deferred revenue (Note 1)	497,941	469,775
Due to IHSA Foundation	<u>1,109</u>	<u>31,195</u>
Total current liabilities	618,005	634,928
Pension and deferred compensation (Notes 5 and 6)	<u>3,311,373</u>	<u>4,342,207</u>
Total liabilities	3,929,378	4,977,135
Net assets:		
Unrestricted net assets	<u>3,138,753</u>	<u>1,642,529</u>
Total liabilities and net assets	<u>\$ 7,068,131</u>	<u>\$ 6,619,664</u>

The accompanying notes are an integral part of these statements.

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Statements of Activities

For the Years Ended June 30,

	<u>2014</u>	<u>2013</u>
Revenues, Gains and Other Support:		
Athletic officials	\$ 874,144	\$ 843,684
Athletic tournaments - boys	5,570,892	5,695,205
Athletic tournaments - girls	1,897,171	1,981,450
Contests	519,804	540,247
Investment income, net	310,956	189,271
Other	<u>1,792,632</u>	<u>1,746,546</u>
Total revenues, gains and other support	<u>10,965,599</u>	<u>10,996,403</u>
Expenses:		
Athletic officials	318,355	312,055
Athletic tournaments - boys	3,062,433	3,233,199
Athletic tournaments - girls	1,815,936	1,833,548
Contests	650,383	654,772
Other	<u>1,032,884</u>	<u>1,125,646</u>
Total program expenses	<u>6,879,991</u>	<u>7,159,220</u>
Excess of revenues, gains and other support over expenses before administrative expenses	4,085,608	3,837,183
Administrative expenses	<u>(3,795,400)</u>	<u>(4,353,310)</u>
Increase (decrease) in net assets	290,208	(516,127)
Pension-related changes other than net periodic pension costs	<u>1,206,016</u>	<u>1,926,330</u>
Total change in net assets	1,496,224	1,410,203
Net assets at beginning of year	<u>1,642,529</u>	<u>232,326</u>
Net assets at end of year	<u>\$ 3,138,753</u>	<u>\$ 1,642,529</u>

The accompanying notes are an integral part of these statements.

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Statements of Cash Flows

For the Years Ended June 30,

	<u>2014</u>	<u>2013</u>
Cash flows from (used in) operating activities (Note 1):		
Change in net assets	\$ 1,496,224	\$ 1,410,203
Adjustments to reconcile change in net assets to cash provided by (used) by operating activities:		
Depreciation	123,109	115,059
Gain on sale of fixed assets	7,785	-
Unrealized/realized gain on investments	(235,880)	(125,194)
Change in assets and liabilities:		
Accounts receivable	(22,005)	160,284
Accrued interest receivable	(3,034)	(23)
Prepaid expenses	(19,869)	14,140
Accounts payable	(32,750)	(10,275)
Accrued expenses	17,747	2,232
Deferred revenue	28,166	26,830
Pension and deferred compensation liabilities	(1,030,834)	(1,226,475)
Due to IHSA Foundation	<u>(30,086)</u>	<u>27,640</u>
Net cash from operating activities	<u>298,573</u>	<u>394,421</u>
Cash flows from (used in) investing activities:		
Capital expenditures	(73,701)	(103,946)
Net purchase investments held in rabbi trust	(44,418)	(55,178)
Proceeds from sale of fixed assets	13,657	-
Net purchases of investments	<u>(16,557)</u>	<u>(26,664)</u>
Net cash from (used in) investing activities	<u>(121,019)</u>	<u>(185,788)</u>
Increase in cash and cash equivalents	177,554	208,633
Cash and cash equivalents at beginning of year	<u>2,360,463</u>	<u>2,151,830</u>
Cash and cash equivalents at end of year	<u>\$ 2,538,017</u>	<u>\$ 2,360,463</u>

The accompanying notes are an integral part of these statements.

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Notes to Financial Statements

June 30, 2014 and 2013

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets are those assets presently available for use by the Association at the discretion of the Board.

Temporarily Restricted Net Assets 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.

Permanently Restricted Net Assets are those assets 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 temporarily or permanently restricted net assets as of June 30, 2014 and 2013.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expense, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Notes to Financial Statements – Continued

June 30, 2014 and 2013

Note 1 – Summary of Accounting Policies – Continued

Cash and Cash Equivalents

For purposes of reporting cash flows, the Association considers all liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Cash equivalents of \$2,538,017 and \$2,360,463 at June 30, 2014 and 2013, respectively, consist of interest-bearing deposits and money market funds in financial institutions.

Receivables and Credit Policies

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

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

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.

Certificate of Deposit

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

Investment Securities

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

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Notes to Financial Statements – Continued

June 30, 2014 and 2013

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.

Income Taxes

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

Deferred Revenue

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

Note 2 – Fair Value Measurements

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

- Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

**ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2014 and 2013

Note 2 – Fair Value Measurements – Continued

- 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 at June 30:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>June 30, 2014</u>				
Common stock	\$ 716,377	\$ 716,377	\$ -	\$ -
Fixed income:				
Cash and cash equivalents ¹	7,976	7,976	-	-
Mutual funds ¹	95,929	95,929	-	-
Corporate bonds	608,382	608,382	-	-
Municipal bonds	<u>1,299,812</u>	<u>-</u>	<u>1,299,812</u>	<u>-</u>
	<u>\$ 2,728,476</u>	<u>\$ 1,428,664</u>	<u>\$ 1,299,812</u>	<u>\$ -</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Notes to Financial Statements – Continued

June 30, 2014 and 2013

Note 2 – Fair Value Measurements – Continued

<u>June 30, 2013</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>
Common stock	\$ 917,401	\$ 917,401	\$ -	\$ -
Fixed income:				
Cash and cash equivalents ¹	9,398	9,398	-	-
Mutual funds ¹	50,089	50,089	-	-
Corporate bonds	155,605	155,605	-	-
Municipal bonds	<u>1,299,128</u>	<u>-</u>	<u>1,299,128</u>	<u>-</u>
	<u>\$ 2,431,621</u>	<u>\$ 1,132,493</u>	<u>\$ 1,299,128</u>	<u>\$ -</u>

¹Cash and cash equivalents 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 3 – Investment Securities and Certificates of Deposit

At June 30, investment securities and certificates of deposit consisted of the following:

	<u>2014</u>	<u>2013</u>
Common stock – equity (at fair value)	\$ 716,377	\$ 917,401
Fixed income bonds (at fair value)	<u>1,908,194</u>	<u>1,454,733</u>
	<u>\$ 2,624,571</u>	<u>\$ 2,372,134</u>

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

	<u>2014</u>	<u>2013</u>
Interest and dividends net of expenses of \$19,490 and \$17,521	\$ 75,076	\$ 64,077
Unrealized/realized gain on investment securities	<u>235,880</u>	<u>125,194</u>
	<u>\$ 310,956</u>	<u>\$ 189,271</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Notes to Financial Statements – Continued

June 30, 2014 and 2013

Note 4 – Property, Building and Equipment

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

	<u>2014</u>	<u>2013</u>
Automobiles	\$ 122,517	112,600
Office furniture and equipment	971,463	963,197
Building	2,203,792	2,179,163
Land	<u>84,077</u>	<u>84,077</u>
	<u>\$ 3,381,849</u>	<u>\$ 3,339,037</u>

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.

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

	<u>2014</u>	<u>2013</u>
Projected benefit obligation	\$ (11,485,545)	\$ (11,947,370)
Plan assets at fair value	<u>9,331,961</u>	<u>8,698,739</u>
Funded status, included in pension and deferred compensation liabilities on the statements of financial position	<u>\$ (2,153,584)</u>	<u>\$ (3,248,631)</u>
Employer contributions	<u>\$ 300,000</u>	<u>\$ 425,000</u>
Accumulated benefit obligation	<u>\$ 11,485,545</u>	<u>\$ 11,947,370</u>
Benefits paid	<u>\$ 593,379</u>	<u>\$ 590,911</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Notes to Financial Statements – Continued

June 30, 2014 and 2013

Note 5 – Pension Plan – Continued

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

	<u>2014</u>	<u>2013</u>
Interest cost	\$ 535,296	\$ 562,098
Actual gain on plan assets	(926,601)	(624,745)
Net asset gain (loss) deferred for later recognition	541,682	354,431
Amortization of net loss from earlier periods	<u>255,578</u>	<u>361,321</u>
Net periodic pension cost	405,955	653,105
Pension related changes other than net periodic pension cost	<u>(1,201,002)</u>	<u>(1,250,355)</u>
	<u>\$ (795,047)</u>	<u>\$ (597,250)</u>

The assumptions shown below were used in accounting for the pension plan as of 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Discount rate	4.45%	4.60%
Rates of increase in compensation (due to freeze)	0.00%	0.00%
Expected long-term rate of return on assets	4.43%	3.25%

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 4.43% 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.

ILLINOIS HIGH SCHOOL ASSOCIATION
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Notes to Financial Statements – Continued

June 30, 2014 and 2013

Note 5 – Pension Plan – Continued

The following table summarizes plan assets measured at fair value at June 30, 2014, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash and cash equivalents	\$ 490,460	\$ -	\$ -	\$ 490,460
Equity securities:				
Common stock	2,779,764	-	-	2,779,764
Mutual funds:				
Small Cap	171,893	-	-	171,893
Mid Cap	211,890	-	-	211,890
International	1,077,426	-	-	1,077,426
	<u>4,240,973</u>	<u>-</u>	<u>-</u>	<u>4,240,973</u>
Fixed income:				
U.S. treasury notes	486,745	-	-	486,745
Corporate bonds	1,483,281	-	-	1,483,281
Municipal bonds	-	2,606,435	-	2,606,435
Mutual funds	24,067	-	-	24,067
	<u>1,994,093</u>	<u>2,606,435</u>	<u>-</u>	<u>4,600,528</u>
Total	<u>\$ 6,725,526</u>	<u>\$ 2,606,435</u>	<u>\$ -</u>	<u>\$ 9,331,961</u>

The Association's asset allocation at June 30, 2013 is as follows:

Equity	39%	\$ 3,477,383
Fixed income	52%	4,514,948
Cash and cash equivalents	9%	<u>706,408</u>
Total	100%	<u>\$ 8,698,739</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Notes to Financial Statements – Continued

June 30, 2014 and 2013

Note 5 – Pension Plan – Continued

The Associations' target asset allocation as of June 20, 2014, by asset category, is as follows:

Equity	20-50%
Fixed income	50-75%
Cash and cash equivalents	0-10%

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

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

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

The Association expects to contribute \$400,000 to its pension plan for the year ending June 30, 2015.

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

Years Ending <u>June 30,</u>	
2015	\$ 652,617
2016	662,164
2017	673,494
2018	674,543
2019	682,463
2020-2024	<u>3,719,769</u>
	<u>\$ 7,065,050</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Notes to Financial Statements – Continued

June 30, 2014 and 2013

Note 5 – Pension Plan – Continued

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

	<u>July 1, 2013</u>	Reclassified as Net Periodic <u>Benefit Cost</u>	Amounts Arising <u>During Period</u>	<u>June 30, 2014</u>
Net loss	\$ <u>3,624,087</u>	\$ <u>(255,578)</u>	\$ <u>(945,424)</u>	\$ <u>2,423,085</u>
	<u>July 1, 2012</u>	Reclassified as Net Periodic <u>Benefit Cost</u>	Amounts Arising <u>During Period</u>	<u>June 30, 2013</u>
Net loss	\$ <u>4,874,442</u>	\$ <u>(361,321)</u>	\$ <u>(889,034)</u>	\$ <u>3,624,087</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. Expense for the plan was \$102,753 and \$98,532 for the years ending June 30, 2014 and 2013, 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>2014</u>	<u>2013</u>
Projected benefit obligation	\$ (1,261,694)	\$ (1,153,063)
Fair value of plan assets	<u>103,905</u>	<u>59,487</u>
Funded status	\$ <u>(1,157,789)</u>	\$ <u>(1,093,576)</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Notes to Financial Statements – Continued

June 30, 2014 and 2013

Note 6 – Employee Benefit Plans – Continued

	<u>2014</u>	<u>2013</u>
Accrued benefit cost included in current accrued expenses	\$ -	\$ -
Accrued benefit cost included in long-term pension and deferred compensation liabilities	<u>1,157,789</u>	<u>1,224,016</u>
	<u>\$ 1,157,789</u>	<u>\$ 1,224,016</u>
Accumulated benefit obligation	<u>\$ 1,261,694</u>	<u>\$ 1,153,063</u>
Employer contribution	<u>\$ 100,000</u>	<u>\$ 75,000</u>
Benefits paid	<u>\$ 35,170</u>	<u>\$ 19,990</u>

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

	<u>2014</u>	<u>2013</u>
Service cost	\$ 116,416	\$ 77,918
Interest cost	52,342	55,531
Actual return on plan assets	20,412	(168)
Net asset loss deferred for later recognition	(4,809)	(1,855)
Amortization of net loss from earlier period	<u>(15,134)</u>	<u>415,324</u>
Net periodic benefit cost	169,227	546,750
Benefit related changes other than net periodic benefit cost	<u>(5,014)</u>	<u>(675,975)</u>
	<u>\$ 164,213</u>	<u>\$ (129,225)</u>

Amounts used to determine benefit obligation as of June 30:

	<u>2014</u>	<u>2013</u>
Discount rate	4.45%	4.60%
Rates of increase in compensation	N/A	13.00%
Expected long-term rate of return on assets	4.43%	3.25%

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Notes to Financial Statements – Continued

June 30, 2014 and 2013

Note 6 – Employee Benefit Plans – Continued

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

Years Ending <u>June 30,</u>	
2015	\$ 242,668
2016	51,188
2017	52,424
2018	53,243
2019	53,961
2020-2023	<u>293,436</u>
	<u>\$ 746,920</u>

Note 7 – Illinois High School Activities Foundation

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

Note 8 – Commitments

The Association leases certain office equipment under noncancelable operating leases.

Future minimum lease payments are as follows:

Years Ending <u>June 30,</u>	
2015	\$ 11,477
2016	7,536
2017	<u>7,536</u>
Total	<u>\$ 26,549</u>

Total lease expense for the years ended June 30, 2014 and 2013 was \$11,477 and \$14,292, respectively.

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Notes to Financial Statements – Continued

June 30, 2014 and 2013

Note 9 – Litigation

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

Note 10 – 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, 2014, 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.

Note 11 – Subsequent Events:

No events have occurred subsequent to June 30, 2014, that are required to be disclosed in the financial statements. This evaluation was made as of January 7, 2015, the date these financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Schedule of Revenues and Expenses

For the Year Ended June 30, 2014

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Athletic Officials:			
Dues and registration	\$ <u>874,144</u>	\$ <u>318,355</u>	\$ <u>555,789</u>
Boys Athletic Tournaments:			
Baseball	\$ 359,776	\$ 253,230	106,546
Basketball	2,022,002	929,830	1,092,172
Bass fishing	55,500	8,521	46,979
Bowling	21,380	15,481	5,899
Cross country	26,325	75,561	(49,236)
Football	1,960,031	813,312	1,146,719
Golf	5,000	46,517	(41,517)
Gymnastics	15,791	25,680	(9,889)
Soccer	274,583	206,111	68,472
Swimming	56,760	49,609	7,151
Tennis	3,100	23,848	(20,748)
Track and field	152,079	106,041	46,038
Volleyball	88,610	86,582	2,028
Wrestling	474,065	379,293	94,772
Water polo	55,890	41,834	14,056
Sportsmanship promotions	<u>-</u>	<u>983</u>	<u>(983)</u>
	<u>\$ 5,570,892</u>	<u>\$ 3,062,433</u>	<u>2,508,459</u>
Girls Athletic Tournaments:			
Badminton	\$ 10,369	\$ 18,848	(8,479)
Basketball	676,050	704,272	(28,222)
Bowling	23,720	14,507	9,213
Cross country	500	20,700	(20,200)
Golf	300	27,470	(27,170)
Gymnastics	29,369	51,769	(22,400)
Soccer	213,029	188,705	24,324
Softball	239,737	250,480	(10,743)
Swimming	54,740	56,150	(1,410)
Tennis	-	24,920	(24,920)
Track and field	120,249	87,012	33,237
Volleyball	522,178	360,272	161,906
Water polo	<u>6,930</u>	<u>10,831</u>	<u>(3,901)</u>
	<u>\$ 1,897,171</u>	<u>\$ 1,815,936</u>	<u>81,235</u>

-Continued-

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Schedule of Revenues and Expenses – Continued

For the Year Ended June 30, 2014

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Contests:			
Dance Team	\$ 99,166	\$ 79,628	\$ 19,538
Music	173,041	193,692	(20,651)
Speech	52,890	177,231	(124,341)
Chess	100	31,593	(31,493)
Scholastic Bowl	1,250	39,604	(38,354)
Competitive Cheerleading	180,232	106,703	73,529
Journalism	<u>13,125</u>	<u>21,932</u>	<u>(8,807)</u>
	<u>\$ 519,804</u>	<u>\$ 650,383</u>	<u>(130,579)</u>
Other Revenue, Gains, and Other Support:			
Donations	\$ 349,325	\$ -	349,325
Publications	122,183	242,097	(119,914)
Souvenirs	215,369	11,587	203,782
Miscellaneous	69,372	5,926	63,446
Radio and television	11,950	-	11,950
Awards	-	315,095	(315,095)
Drug testing	-	-	-
Royalty income	321,031	-	321,031
Contract services	47,712	-	47,712
TV / Internet income	371,248	275,000	96,248
Special events	<u>284,442</u>	<u>183,179</u>	<u>101,263</u>
	<u>\$ 1,792,632</u>	<u>\$ 1,032,884</u>	<u>759,748</u>
Investment income, net			<u>310,956</u>
Total before administrative expenses			4,085,608
Administrative expenses			<u>3,795,400</u>
Change in net assets before pension related changes other than net periodic pension costs			<u>\$ 290,208</u>

**ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois**

Schedule of Revenues and Expenses

For the Year Ended June 30, 2013

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Athletic Officials:			
Dues and registration	\$ <u>843,684</u>	\$ <u>312,055</u>	\$ <u>531,629</u>
Boys Athletic Tournaments:			
Baseball	\$ 329,815	\$ 231,549	98,266
Basketball	2,039,227	925,895	1,113,332
Bass fishing	55,100	7,626	47,474
Bowling	18,852	14,027	4,825
Cross country	13,728	47,056	(33,328)
Football	2,159,062	1,054,392	1,104,670
Golf	5,100	45,724	(40,624)
Gymnastics	13,045	23,469	(10,424)
Soccer	249,677	211,897	37,780
Swimming	57,925	53,538	4,387
Tennis	125	23,101	(22,976)
Track and field	143,585	98,073	45,512
Volleyball	83,577	81,750	1,827
Wrestling	494,020	387,360	106,660
Water polo	32,367	26,672	5,695
Sportsmanship promotions	-	1,070	(1,070)
	<u>\$ 5,695,205</u>	<u>\$ 3,233,199</u>	<u>2,462,006</u>
Girls Athletic Tournaments:			
Badminton	\$ 10,475	\$ 18,934	(8,459)
Basketball	740,888	708,674	32,214
Bowling	18,495	11,644	6,851
Cross country	13,528	47,056	(33,528)
Golf	100	26,790	(26,690)
Gymnastics	30,676	47,509	(16,833)
Soccer	211,729	184,619	27,110
Softball	238,840	242,874	(4,034)
Swimming	58,940	48,448	10,492
Tennis	125	25,040	(24,915)
Track and field	118,150	91,317	26,833
Volleyball	507,178	355,391	151,787
Water polo	32,326	25,252	7,074
	<u>\$ 1,981,450</u>	<u>\$ 1,833,548</u>	<u>147,902</u>

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ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Schedule of Revenues and Expenses – Continued

For the Year Ended June 30, 2013

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Contests:			
Dance Team	\$ 94,480	\$ 74,156	\$ 20,324
Music	189,936	216,858	(26,922)
Speech	52,345	177,233	(124,888)
Chess	300	29,490	(29,190)
Scholastic Bowl	2,060	43,837	(41,777)
Competitive Cheerleading	187,621	90,910	96,711
Journalism	13,505	22,288	(8,783)
	<u>\$ 540,247</u>	<u>\$ 654,772</u>	<u>(114,525)</u>
Other Revenue, Gains, and Other Support:			
Donations	\$ 346,996	\$ -	346,996
Publications	127,391	248,584	(121,193)
Souvenirs	216,358	-	216,358
Miscellaneous	82,304	8,546	73,758
Radio and television	16,095	-	16,095
Awards	-	308,602	(308,602)
Drug testing	-	100,685	(100,685)
Royalty income	300,637	-	300,637
Contract services	46,860	-	46,860
TV / Internet income	300,000	250,000	50,000
Special events	309,905	209,229	100,676
	<u>\$ 1,746,546</u>	<u>\$ 1,125,646</u>	<u>620,900</u>
Investment income, net			<u>189,271</u>
Total before administrative expenses			3,837,183
Administrative expenses			<u>4,353,310</u>
Change in net assets before pension related changes other than net periodic pension costs			<u>\$ (516,127)</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois

Schedule of General and Administrative Expenses

For the Year Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Actuarial services	\$ 34,581	\$ 28,978
Audit and legal services	103,873	147,140
Automobile	19,820	22,702
Bad debt expense	2,964	-
Board of Directors	75,063	79,361
Building improvements	7,317	9,108
Building utilities	60,109	54,903
Committee expenses	72,210	50,881
Depreciation	123,109	115,059
Employee expense	66,553	88,563
Insurance	453,122	454,782
Maintenance	16,437	14,288
Miscellaneous	17,658	1,684
Newspaper subscriptions	504	682
Office expenses	100,580	95,874
Postage	49,703	55,909
Printing	28,220	27,969
Promotion	5,933	5,363
Retirement expenses:		
Pension	405,955	653,105
Contributions – 401(k)	102,753	98,532
Deferred compensation	169,227	546,750
Salaries and related taxes	1,859,275	1,778,334
Sales tax	1,384	1,903
Sponsorship	-	-
Telephone	<u>19,050</u>	<u>21,440</u>
Total general and administrative expenses	<u>\$ 3,795,400</u>	<u>\$ 4,353,310</u>