

**ILLINOIS HIGH SCHOOL ASSOCIATION
Bloomington, Illinois**

Financial Statements

June 30, 2017 and 2016

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Independent Auditors' Report

Board of Directors
Illinois High School Association
Bloomington, Illinois

We have audited the accompanying financial statements of the Illinois High School Association (the "Association"), which comprise the statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

Striegel Knobloch & Company LLC

Bloomington, Illinois
October 27, 2017

ILLINOIS HIGH SCHOOL ASSOCIATION
Statements of Financial Position
June 30,

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 1,970,335	\$ 2,029,901
Investment securities (Notes 2 and 3)	3,537,590	3,308,787
Accounts receivable (Note 1)	360,173	446,002
Accrued interest receivable	13,535	15,453
Prepaid expenses	<u>181,044</u>	<u>45,071</u>
Total current assets	<u>6,062,677</u>	<u>5,845,214</u>
Other assets (Notes 1, 2 and 6)	<u>163,351</u>	<u>116,693</u>
Property, building and equipment (Notes 1 and 4)	3,514,827	3,471,174
Less: accumulated depreciation	<u>(2,270,863)</u>	<u>(2,168,198)</u>
	<u>1,243,964</u>	<u>1,302,976</u>
Total assets	<u>\$ 7,469,992</u>	<u>\$ 7,264,883</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 54,545	\$ 89,072
Accrued expenses	85,357	84,321
Deferred revenue (Note 1)	490,375	476,281
Due to IHSA Foundation	<u>26,213</u>	<u>754</u>
Total current liabilities	656,490	650,428
Pension and deferred compensation (Notes 5 and 6)	<u>5,790,617</u>	<u>5,789,260</u>
Total liabilities	6,447,107	6,439,688
Net assets:		
Unrestricted net assets	<u>1,022,885</u>	<u>825,195</u>
Total liabilities and net assets	<u>\$ 7,469,992</u>	<u>\$ 7,264,883</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>2017</u>	<u>2016</u>
Revenues, Gains and Other Support:		
Athletic officials	\$ 811,338	\$ 843,639
Athletic tournaments - boys	5,413,865	5,224,362
Athletic tournaments - girls	2,056,624	2,008,008
Contests	574,330	594,809
Investment income, net (Note 3)	245,241	59,926
Other	<u>2,085,792</u>	<u>2,129,589</u>
Total revenues, gains and other support	<u>11,187,190</u>	<u>10,860,333</u>
Expenses:		
Athletic officials	333,688	312,481
Athletic tournaments - boys	3,325,744	3,036,078
Athletic tournaments - girls	1,973,917	1,884,316
Contests	660,375	643,255
Other	<u>1,040,339</u>	<u>1,035,588</u>
Total program expenses	<u>7,334,063</u>	<u>6,911,718</u>
Excess of revenues, gains and other support over expenses before administrative expenses	3,853,127	3,948,615
Administrative expenses	<u>(4,062,785)</u>	<u>(3,735,091)</u>
Increase in net assets	(209,658)	213,524
Pension-related changes other than net periodic pension costs	<u>407,348</u>	<u>(1,168,956)</u>
Total change in net assets	197,690	(955,432)
Net assets at beginning of year	<u>825,195</u>	<u>1,780,627</u>
Net assets at end of year	<u>\$ 1,022,885</u>	<u>\$ 825,195</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,

	2017	2016
Cash flows from (used in) operating activities (Note 1):		
Change in net assets	\$ 197,690	\$ (955,432)
Adjustments to reconcile change in net assets to cash from (used in) operating activities:		
Bad debt expense	630	3,925
Depreciation	118,178	121,475
Realized (gain) loss on sale of investments	(18,919)	(23,483)
Unrealized (gain) loss on investments	(131,170)	62,743
Change in operating assets and liabilities:		
Accounts receivable	85,199	(77,835)
Accrued interest receivable	1,918	(603)
Prepaid expenses	(135,973)	24,090
Accounts payable	(34,527)	34,650
Accrued expenses	1,036	23,537
Deferred revenue	14,094	66,939
Pension and deferred compensation liabilities	1,357	1,240,463
Due to IHSA Foundation	25,459	(557)
Net cash from operating activities	124,972	519,912
Cash flows from (used in) investing activities:		
Purchase of fixed assets	(59,166)	(55,645)
Proceeds from sale of fixed assets	-	-
Purchase of investments held in rabbi trust	(143,160)	(99,810)
Proceeds from sale of investments held in rabbi trust	96,502	52,331
Purchase of investments	(763,342)	(1,345,482)
Proceeds from sale of investments	684,628	1,252,859
Net cash from (used in) investing activities	(184,538)	(195,747)
Change in cash and cash equivalents	(59,566)	342,165
Cash and cash equivalents at beginning of year	2,029,901	1,705,736
Cash and cash equivalents at end of year	\$ 1,970,335	\$ 2,029,901

The accompanying notes are an integral part of these statements.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016.

Estimates

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

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2017 and 2016

Note 1 – Summary of Accounting Policies – Continued

Cash and Cash Equivalents

For purposes of reporting cash flows, the Association considers all liquid investments with an original maturity of three months or less to be cash and cash equivalents. Cash equivalents of \$1,970,335 and \$2,029,901 at June 30, 2017 and 2016, respectively, consist of interest-bearing deposits and money market accounts in financial institutions.

Receivables and Credit Policies

Accounts receivable are uncollateralized customer obligations that generally require payment within thirty days from the date of occurrence. Accounts receivable are stated at the invoice amount. Due to the uncertainty regarding collection, penalty fees, if any, are recognized as income when received. Account balances with specific amounts over 45 days old are considered delinquent.

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

Management reviews accounts receivable balances that exceed one year from the occurrence and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. All accounts or portions thereof deemed to be uncollectible are written off to bad debt expense. Bad debt expense for the years ended June 30, 2017 and 2016 was \$630 and \$3,925, respectively.

Certificate of Deposit

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

Investment Securities

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

Other Assets

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

Property Building and Equipment

Property, building and equipment are carried at cost. Depreciation is computed at annual rates sufficient to amortize the cost over their estimated useful lives, principally on the straight-line basis. An addition of equipment in an amount that does not exceed \$500 per item is expensed as incurred.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2017 and 2016

Note 1 – Summary of Accounting Policies – Continued

Income Taxes

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

Deferred Revenue

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

Note 2 – Fair Value Measurements

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

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

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

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

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

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2017 and 2016

Note 2 – Fair Value Measurements – Continued

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

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

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>June 30, 2017</u>				
Common stock	\$ 1,444,379	\$ 1,444,379	\$ -	\$ -
Mutual funds	501,812	501,812	-	-
Fixed income:				
Money market funds ¹	26,169	26,169	-	-
Mutual funds ¹	137,182	137,182	-	-
Corporate bonds	766,918	766,918	-	-
Municipal bonds	<u>824,481</u>	<u>-</u>	<u>824,481</u>	<u>-</u>
	<u>\$ 3,700,941</u>	<u>\$ 2,876,460</u>	<u>\$ 824,481</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, 2016</u>				
Common stock	\$ 1,356,577	\$ 1,356,577	\$ -	\$ -
Mutual funds	246,179	246,179	-	-
Fixed income:				
Money market funds ¹	80,742	80,742	-	-
Mutual funds ¹	35,951	35,951	-	-
Corporate bonds	785,227	785,227	-	-
Municipal bonds	<u>920,804</u>	<u>-</u>	<u>920,804</u>	<u>-</u>
	<u>\$ 3,425,480</u>	<u>\$ 2,504,676</u>	<u>\$ 920,804</u>	<u>\$ -</u>

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

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

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2017 and 2016

Note 3 – Investment Securities and Certificates of Deposit

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

	<u>2017</u>	<u>2016</u>
Common stock – equity (at fair value)	\$ 1,444,379	\$ 1,356,577
Mutual funds (at fair value)	501,812	246,179
Fixed income bonds (at fair value)	<u>1,591,399</u>	<u>1,706,031</u>
	<u>\$ 3,537,590</u>	<u>\$ 3,308,787</u>

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

	<u>2017</u>	<u>2016</u>
Interest and dividends net of expenses of \$20,837 and \$20,223, respectively	\$ 95,152	\$ 99,186
Realized gain on investment securities	18,919	23,483
Unrealized gain (loss) on investment securities	<u>131,170</u>	<u>(62,743)</u>
	<u>\$ 245,241</u>	<u>\$ 59,926</u>

Note 4 – Property, Building and Equipment

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

	<u>2017</u>	<u>2016</u>
Automobiles	\$ 136,913	\$ 132,036
Office furniture and equipment	1,083,913	1,045,137
Building	2,209,924	2,209,924
Land	<u>84,077</u>	<u>84,077</u>
	<u>\$ 3,514,827</u>	<u>\$ 3,471,174</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$118,178 and \$121,475 respectively.

Note 5 – Pension Plan

The Association has a defined benefit pension plan covering substantially all of its employees. The Association's policy is to fund current pension costs with at least the minimum amount that is required under the Employee Retirement Income Security Act of 1974 (ERISA). Contributions are intended to provide not only benefits attributed to service to date but also for those expected to be earned in the future. The benefits are based on years of service and the employee's compensation reduced by a social security benefit. This plan has been frozen effective July 1, 2008.

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2017 and 2016

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>2017</u>	<u>2016</u>
Projected benefit obligation	\$ (13,594,439)	\$ (13,464,803)
Plan assets at fair value	<u>9,053,248</u>	<u>8,896,378</u>
Funded status, included in pension and deferred compensation liabilities on the statements of financial position	\$ <u>(4,541,191)</u>	\$ <u>(4,568,425)</u>
Employer contributions	\$ <u>250,000</u>	\$ <u>250,000</u>
Accumulated benefit obligation	\$ <u>(13,594,439)</u>	\$ <u>(13,464,803)</u>
Benefits paid	\$ <u>648,777</u>	\$ <u>679,537</u>

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

	<u>2017</u>	<u>2016</u>
Interest cost	\$ 506,808	\$ 557,495
Actual (gain) loss on plan assets	(591,647)	(141,481)
Net asset gain (loss) deferred for later recognition	366,732	(84,335)
Amortization of net loss from earlier periods	<u>434,170</u>	<u>42,944</u>
Net periodic pension cost	716,063	374,623
Pension related changes other than net periodic pension cost	<u>(493,296)</u>	<u>958,349</u>
	\$ <u>222,767</u>	\$ <u>1,332,972</u>

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

	<u>2017</u>	<u>2016</u>
Discount rate	3.66%	4.53%
Rates of increase in compensation (due to freeze)	0.00%	0.00%
Expected long-term rate of return on assets	2.57%	2.50%

ILLINOIS HIGH SCHOOL ASSOCIATION

Notes to Financial Statements – Continued

June 30, 2017 and 2016

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 2.50% 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, 2017, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value.

	<u>Fair Value Measurements at Reporting Date Using</u>			<u>Total</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Fair Value</u>
Money market funds	\$ 95,326	\$ -	\$ -	\$ 95,326
Equity securities:				
Common stock	1,898,343	-	-	1,898,343
Mutual funds	<u>2,715,929</u>	<u>-</u>	<u>-</u>	<u>2,715,929</u>
	<u>4,614,272</u>	<u>-</u>	<u>-</u>	<u>4,614,272</u>
Fixed income:				
Corporate bonds	1,345,091	-	-	1,345,091
Government bonds	-	48,717	-	48,717
Municipal bonds	<u>-</u>	<u>2,949,842</u>	<u>-</u>	<u>2,949,842</u>
	<u>1,345,091</u>	<u>2,998,559</u>	<u>-</u>	<u>4,343,650</u>
Total	<u>\$ 6,054,689</u>	<u>\$ 2,998,559</u>	<u>\$ -</u>	<u>\$ 9,053,248</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2017 and 2016

Note 5 – Pension Plan – Continued

The Association’s asset allocation at June 30, 2016 was as follows:

Equity	44%	\$ 3,941,875
Fixed income	56%	4,954,503
Cash and cash equivalents	0%	<u> -</u>
 Total	 100%	 <u>\$ 8,896,378</u>

The Associations’ target asset allocation as of June 30, 2016, 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 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 \$400,000 to its pension plan for the year ending June 30, 2018.

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

Years Ending <u>June 30,</u>	
2018	\$ 691,658
2019	736,580
2020	733,291
2021	738,875
2022	765,768
2023-2027	<u>3,782,733</u>
	<u>\$ 7,448,905</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2017 and 2016

Note 5 – Pension Plan – Continued

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

	<u>July 1, 2016</u>	Reclassified as Net Periodic <u>Benefit Cost</u>	Amounts Arising <u>During Period</u>	<u>June 30, 2017</u>
Net loss	\$ <u>4,932,723</u>	\$ <u>(434,170)</u>	\$ <u>(59,126)</u>	\$ <u>4,439,427</u>

	<u>July 1, 2015</u>	Reclassified as Net Periodic <u>Benefit Cost</u>	Amounts Arising <u>During Period</u>	<u>June 30, 2016</u>
Net loss	\$ <u>3,974,374</u>	\$ <u>(42,944)</u>	\$ <u>1,001,293</u>	\$ <u>4,932,723</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 \$119,023 and \$107,172 for the years ending June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
Projected benefit obligation	\$ <u>(1,249,426)</u>	\$ <u>(1,220,835)</u>
Fair value of plan assets	<u>163,351</u>	<u>116,693</u>
Funded status	\$ <u>(1,086,075)</u>	\$ <u>(1,104,142)</u>
Accrued benefit cost included in long-term pension and deferred compensation liabilities	\$ <u>(1,249,426)</u>	\$ <u>(1,220,835)</u>
Accumulated benefit obligation	\$ <u>(1,249,426)</u>	\$ <u>(1,220,835)</u>
Employer contribution	\$ <u>100,000</u>	\$ <u>100,000</u>
Benefits paid	\$ <u>53,394</u>	\$ <u>52,331</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2017 and 2016

Note 6 – Employee Benefit Plans – Continued

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

	<u>2017</u>	<u>2016</u>
Interest cost	\$ 46,137	\$ 50,038
Actual return on plan assets	(52)	190
Net asset gain (loss) deferred for later recognition	(4,521)	(3,344)
Amortization of net loss from earlier period	<u>1,079</u>	<u>-</u>
Net periodic benefit cost	42,643	46,884
Benefit related changes other than net periodic benefit cost	<u>85,948</u>	<u>210,607</u>
	<u>\$ 128,591</u>	<u>\$ 257,491</u>

Amounts used to determine benefit obligation as of June 30:

	<u>2017</u>	<u>2016</u>
Discount rate	3.66%	4.53%
Rates of increase in compensation	N/A	N/A
Expected long-term rate of return on assets	2.57%	2.50%

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

<u>Years Ending June 30,</u>	
2018	\$ 54,632
2019	56,271
2020	57,146
2021	58,860
2022	60,626
2023-2027	<u>327,358</u>
	<u>\$ 614,893</u>

Note 7 – Illinois High School Activities Foundation

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

ILLINOIS HIGH SCHOOL ASSOCIATION
Notes to Financial Statements – Continued
June 30, 2017 and 2016

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>		
2018	\$	11,088
2019		11,088
2020		8,040
2021		4,992
2022		<u>4,992</u>
Total	\$	<u>40,200</u>

Total lease expense for the years ended June 30, 2017 and 2016 was \$12,996 and \$13,632, respectively.

Note 9 – Litigation

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

Note 10 – 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, 2017, 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 2014 are closed.

Note 11 – Subsequent Events

No events have occurred subsequent to June 30, 2017, that are required to be disclosed in the financial statements. This evaluation was made as of October 27, 2017, 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, 2017

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Athletic Officials:			
Dues and registration	\$ 811,338	\$ 333,688	\$ 477,650
Boys Athletic Tournaments:			
Baseball	\$ 405,664	\$ 264,593	141,071
Basketball	2,068,728	986,174	1,082,554
Bass fishing	50,000	5,694	44,306
Bowling	22,950	16,798	6,152
Cross country	14,943	69,984	(55,041)
Football	1,713,107	947,526	765,581
Golf	5,129	48,497	(43,368)
Gymnastics	14,212	28,054	(13,842)
Soccer	299,282	226,306	72,976
Swimming	51,084	53,137	(2,053)
Tennis	-	25,804	(25,804)
Track and field	144,170	108,418	35,752
Volleyball	92,566	97,261	(4,695)
Wrestling	497,419	419,519	77,900
Water polo	34,611	27,979	6,632
	<u>\$ 5,413,865</u>	<u>\$ 3,325,744</u>	<u>2,088,121</u>
Girls Athletic Tournaments:			
Badminton	\$ 11,482	\$ 18,788	(7,306)
Basketball	759,089	721,324	37,765
Bowling	24,650	15,195	9,455
Cross country	14,543	69,984	(55,441)
Golf	100	28,095	(27,995)
Gymnastics	32,086	56,286	(24,200)
Soccer	218,312	199,339	18,973
Softball	276,672	266,496	10,176
Swimming	59,445	51,881	7,564
Tennis	3,000	26,278	(23,278)
Track and field	120,155	102,590	17,565
Volleyball	502,444	389,053	113,391
Water polo	34,646	28,608	6,038
	<u>\$ 2,056,624</u>	<u>\$ 1,973,917</u>	<u>82,707</u>

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ILLINOIS HIGH SCHOOL ASSOCIATION
Schedule of Revenues and Expenses – Continued
For the Year Ended June 30, 2017

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Contests:			
Dance Team	\$ 120,846	\$ 89,370	\$ 31,476
Music	170,296	189,416	(19,120)
Speech	54,825	180,686	(125,861)
Chess	-	28,445	(28,445)
Scholastic Bowl	1,675	39,720	(38,045)
Competitive Cheerleading	211,393	108,639	102,754
Journalism	<u>15,295</u>	<u>24,099</u>	<u>(8,804)</u>
	<u>\$ 574,330</u>	<u>\$ 660,375</u>	<u>(86,045)</u>
Other Revenue, Gains, and Other Support:			
Donations	\$ 533,700	\$ -	533,700
Publications	112,383	217,763	(105,380)
Souvenirs	231,353	16,775	214,578
Miscellaneous	58,243	-	58,243
Radio and television	13,475	-	13,475
Awards	-	328,838	(328,838)
Sportsmanship	-	6,593	(6,593)
Drug testing	-	-	-
Royalty income	329,992	-	329,992
Contract services	53,028	-	53,028
TV / Internet income	430,000	275,000	155,000
Public relations	-	-	-
Special events	<u>323,618</u>	<u>195,370</u>	<u>128,248</u>
	<u>\$ 2,085,792</u>	<u>\$ 1,040,339</u>	<u>1,045,453</u>
Investment income, net			<u>245,241</u>
Total before administrative expenses			3,853,127
Administrative expenses			<u>4,062,785</u>
Change in net assets before pension related changes other than net periodic pension costs			\$ <u>(209,658)</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Schedule of Revenues and Expenses
For the Year Ended June 30, 2016

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Athletic Officials:			
Dues and registration	\$ <u>843,639</u>	\$ <u>312,481</u>	\$ <u>531,158</u>
Boys Athletic Tournaments:			
Baseball	\$ 393,797	\$ 259,049	134,748
Basketball	1,977,748	948,153	1,029,595
Bass fishing	55,400	6,866	48,534
Bowling	24,355	16,451	7,904
Cross country	14,833	51,839	(37,006)
Football	1,642,076	767,200	874,876
Golf	5,306	47,018	(41,712)
Gymnastics	14,167	25,969	(11,802)
Soccer	272,215	213,963	58,252
Swimming	57,615	54,925	2,690
Tennis	3,100	23,719	(20,619)
Track and field	149,847	97,559	52,288
Volleyball	91,185	91,198	(13)
Wrestling	484,841	404,693	80,148
Water polo	<u>37,877</u>	<u>27,476</u>	<u>10,401</u>
	<u>\$ 5,224,362</u>	<u>\$ 3,036,078</u>	<u>2,188,284</u>
Girls Athletic Tournaments:			
Badminton	\$ 11,221	\$ 18,226	(7,005)
Basketball	692,137	710,132	(17,995)
Bowling	24,352	14,102	10,250
Cross country	14,833	51,813	(36,980)
Golf	200	27,126	(26,926)
Gymnastics	28,794	51,911	(23,117)
Soccer	214,188	192,174	22,014
Softball	245,550	247,519	(1,969)
Swimming	54,395	59,149	(4,754)
Tennis	3,000	23,672	(20,672)
Track and field	127,563	89,562	38,001
Volleyball	553,899	372,273	181,626
Water polo	<u>37,876</u>	<u>26,657</u>	<u>11,219</u>
	<u>\$ 2,008,008</u>	<u>\$ 1,884,316</u>	<u>123,692</u>

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ILLINOIS HIGH SCHOOL ASSOCIATION
Schedule of Revenues and Expenses – Continued
For the Year Ended June 30, 2016

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Contests:			
Dance Team	\$ 128,579	\$ 80,381	\$ 48,198
Music	177,775	189,141	(11,366)
Speech	54,985	180,716	(125,731)
Chess	-	28,512	(28,512)
Scholastic Bowl	2,050	40,333	(38,283)
Competitive Cheerleading	215,565	101,340	114,225
Journalism	<u>15,855</u>	<u>22,832</u>	<u>(6,977)</u>
	<u>\$ 594,809</u>	<u>\$ 643,255</u>	<u>(48,446)</u>
Other Revenue, Gains, and Other Support:			
Donations	\$ 552,000	\$ -	552,000
Publications	113,796	227,015	(113,219)
Souvenirs	226,220	11,438	214,782
Miscellaneous	98,422	-	98,422
Radio and television	19,251	-	19,251
Awards	-	323,187	(323,187)
Drug testing	-	-	-
Royalty income	298,455	-	298,455
Contract services	50,460	-	50,460
TV / Internet income	425,000	275,000	150,000
Public relations	-	-	-
Special events	<u>345,985</u>	<u>198,948</u>	<u>147,037</u>
	<u>\$ 2,129,589</u>	<u>\$ 1,035,588</u>	<u>1,094,001</u>
Investment income, net			<u>59,926</u>
Total before administrative expenses			3,948,615
Administrative expenses			<u>3,735,091</u>
Change in net assets before pension related changes other than net periodic pension costs			<u>\$ 213,524</u>

ILLINOIS HIGH SCHOOL ASSOCIATION
Schedules of General and Administrative Expenses
For the Year Ended June 30,

	<u>2017</u>	<u>2016</u>
Actuarial services	\$ 27,369	\$ 27,975
Audit and legal services	188,053	235,560
Automobile	12,326	10,765
Bad debt expense	630	3,925
Board of Directors	62,861	68,984
Building improvements	12,027	8,755
Building utilities	53,092	53,896
Committee expenses	55,854	67,292
Depreciation (Note 4)	118,178	121,475
Employee expense	69,027	60,806
Insurance	531,433	506,387
Maintenance	15,167	14,745
Miscellaneous	10,219	19,096
Newspaper subscriptions	-	319
Office expenses	114,712	110,341
Postage	39,822	33,173
Printing	27,738	30,827
Promotion	6,683	5,398
Retirement expenses:		
Pension	716,063	374,623
Contributions – 401(k)	119,023	108,579
Deferred compensation	42,643	46,884
Salaries and related taxes	1,825,433	1,810,746
Sales tax	2,967	1,244
Sponsorship	-	-
Telephone	<u>11,465</u>	<u>13,296</u>
 Total general and administrative expenses	 <u>\$ 4,062,785</u>	 <u>\$ 3,735,091</u>