

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Financial Statements

June 30, 2012 and 2011

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Independent Auditors' Report

Board of Directors
Illinois High School Association

We have audited the accompanying statements of financial position of the Illinois High School Association as of June 30, 2012, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Associations' management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Illinois High School Association as of June 30, 2011, were audited by other auditors whose report dated February 21, 2012, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 23 through 27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility to management and was derived from and relates 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.

Bloomington, Illinois
November 9, 2012

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Statements of Financial Position

June 30,

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets:		
Cash and cash equivalents (Note 1)	\$ 2,151,830	\$ 2,115,324
Certificates of deposit (Notes 1 and 3)	-	100,000
Investment securities (Notes 2 and 3)	2,220,276	1,910,812
Accounts receivable (Note 1)	373,546	231,901
Accrued interest receivable	15,842	14,582
Prepaid expenses	<u>99,646</u>	<u>109,944</u>
Total current assets	<u>4,861,140</u>	<u>4,482,563</u>
Other Assets (Note 2)	<u>4,309</u>	<u>23,667</u>
Property, Building and Equipment (Notes 1 and 4)	3,235,091	3,199,453
Less: accumulated depreciation	<u>(1,711,031)</u>	<u>(1,647,071)</u>
	<u>1,524,060</u>	<u>1,552,382</u>
Total assets	<u>\$ 6,389,509</u>	<u>\$ 6,058,612</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 102,327	\$ 81,015
Accrued expenses	39,674	141,639
Deferred revenue (Note 1)	442,945	456,056
Due to IHSA Foundation	<u>3,555</u>	<u>2,460</u>
Total current liabilities	588,501	681,170
Pension and deferred compensation (Notes 5 and 6)	<u>5,568,682</u>	<u>3,673,359</u>
Total liabilities	6,157,183	4,354,529
Net assets:		
Unrestricted net assets	<u>232,326</u>	<u>1,704,083</u>
Total liabilities and net assets	<u>\$ 6,389,509</u>	<u>\$ 6,058,612</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>2012</u>	<u>2011</u>
Revenues, Gains and Other Support:		
Athletic officials	\$ 869,023	\$ 900,053
Athletic tournaments - boys	5,928,645	6,059,071
Athletic tournaments - girls	2,046,460	1,976,537
Contests	425,131	413,069
Investment income, net	112,506	104,350
Other	<u>1,587,297</u>	<u>1,636,353</u>
Total revenues, gains and other support	<u>10,969,062</u>	<u>11,089,433</u>
Expenses:		
Athletic officials	281,956	308,280
Athletic tournaments - boys	3,260,170	3,251,411
Athletic tournaments - girls	1,831,252	1,799,811
Contests	521,949	520,131
Other	<u>1,141,824</u>	<u>1,125,848</u>
Total program expenses	<u>7,037,151</u>	<u>7,005,481</u>
Excess of revenues, gains and other support over expenses before administrative expenses	3,931,911	4,083,952
Administrative expenses	<u>(3,791,146)</u>	<u>(3,719,876)</u>
Increase (decrease) in net assets	140,765	364,076
Pension-related changes other than net periodic pension costs	<u>(1,612,522)</u>	<u>248,020</u>
Total change in net assets	(1,471,757)	612,096
Net assets at beginning of year	<u>1,704,083</u>	<u>1,091,987</u>
Net assets at end of year	<u>\$ 232,326</u>	<u>\$ 1,704,083</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>2012</u>	<u>2011</u>
Cash flows from (used in) operating activities (Note 1):		
Change in net assets	\$ (1,471,757)	\$ 612,096
Adjustments to reconcile change in net assets to cash provided by (used) by operating activities:		
Depreciation	122,024	124,584
Unrealized/realized gain on investments	(66,232)	(56,454)
Change in assets and liabilities:		
Accounts receivable	(141,645)	(1,666)
Accrued interest receivable	(1,260)	(14,582)
Prepaid expenses	10,298	(21,093)
Accounts payable	21,312	(68,462)
Accrued expenses	(101,965)	(9,922)
Deferred revenue	(13,111)	13,976
Pension and deferred compensation liabilities	1,895,323	(141,411)
Due to IHSA Foundation	<u>1,095</u>	<u>2,460</u>
Net cash from (used in) operating activities	<u>254,082</u>	<u>439,526</u>
Cash flows from (used in) investing activities:		
Capital expenditures	(93,702)	(74,566)
Sale of investments held in rabbi trust	19,358	(23,667)
Proceeds from maturity of certificates of deposit	100,000	812,793
Net purchases of investments and certificates of deposit	<u>(243,232)</u>	<u>(1,854,358)</u>
Net cash from (used in) investing activities	<u>(217,576)</u>	<u>(1,139,798)</u>
Increase (decrease) in cash and cash equivalents	36,506	(700,272)
Cash and cash equivalents at beginning of year	<u>2,115,324</u>	<u>2,815,596</u>
Cash and cash equivalents at end of year	<u>\$ 2,151,830</u>	<u>\$ 2,115,324</u>

The accompanying notes are an integral part of these statements.

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements

June 30, 2012 and 2011

Note 1 – Summary of Accounting Policies

Organization

The Illinois High School 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, 2012 and 2011.

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 1 – Summary of Accounting Policies – Continued

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.

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 \$2,151,830 and \$2,115,324 at June 30, 2012 and 2011, 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.

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 1 – Summary of Accounting Policies – Continued

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.

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:

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 2 – 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.

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 2 – Fair Value Measurements – Continued

Fair values of assets and liabilities measured on a recurring basis are as follows at June 30:

	<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, 2012</u>				
Common stock	\$ 764,191	\$ 764,191	\$ -	\$ -
Fixed income:				
Cash and cash equivalents ¹	4,309	4,309	-	-
Mutual funds ¹	-	-	-	-
Corporate bonds	148,653	148,653	-	-
Municipal bonds	<u>1,307,432</u>	<u>-</u>	<u>1,307,432</u>	<u>-</u>
	<u>\$ 2,224,585</u>	<u>\$ 917,153</u>	<u>\$ 1,307,432</u>	<u>\$ -</u>
<u>June 30, 2011</u>				
Common stock	\$ 524,251	\$ 524,251	\$ -	\$ -
Fixed income:				
Cash and cash equivalents ¹	3,708	3,708	-	-
Mutual funds ¹	19,959	19,959	-	-
Corporate bonds	148,659	148,659	-	-
Municipal bonds	<u>1,237,902</u>	<u>-</u>	<u>1,237,902</u>	<u>-</u>
	<u>\$ 1,934,479</u>	<u>\$ 696,577</u>	<u>\$ 1,237,902</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.

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 3 – Investment Securities and Certificates of Deposit

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

	<u>2012</u>	<u>2011</u>
Certificates of deposit (at cost)	\$ -	\$ 100,000
Common stock – equity (at fair value)	764,191	524,251
Fixed income bonds (at fair value)	<u>1,456,085</u>	<u>1,386,561</u>
	<u>\$ 2,220,276</u>	<u>\$ 2,010,812</u>

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

	<u>2012</u>	<u>2011</u>
Interest and dividends net of expenses of \$17,020 and \$10,706	\$ 46,274	\$ 47,896
Unrealized/realized gain on investment securities	<u>66,232</u>	<u>56,454</u>
	<u>\$ 112,506</u>	<u>\$ 104,350</u>

Note 4 – Property, Building and Equipment

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

	<u>2012</u>	<u>2011</u>
Automobiles	\$ 104,601	126,338
Office furniture and equipment	871,880	814,505
Building	2,174,533	2,174,533
Land	<u>84,077</u>	<u>84,077</u>
	<u>\$ 3,235,091</u>	<u>\$ 3,199,453</u>

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

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 effectively 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>2012</u>	<u>2011</u>
Projected benefit obligation	\$ (12,510,786)	\$ (10,806,700)
Plan assets at fair value	<u>8,239,905</u>	<u>8,077,738</u>
Funded status, included in pension and deferred compensation liabilities on the statements of financial position	\$ <u>(4,270,881)</u>	\$ <u>(2,728,962)</u>
Employer contributions	\$ <u>475,000</u>	\$ <u>450,000</u>
Accumulated benefit obligation	\$ <u>12,510,786</u>	\$ <u>10,806,700</u>
Benefits paid	\$ <u>547,590</u>	\$ <u>558,702</u>

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

	<u>2012</u>	<u>2011</u>
Interest cost	\$ 560,780	\$ 554,899
Actual gain on plan assets	(234,757)	(759,835)
Net asset gain (loss) deferred for later recognition	(9,579)	381,916
Amortization of net loss from earlier periods	<u>231,762</u>	<u>306,306</u>
Net periodic pension cost	548,206	483,286
Pension related changes other than net periodic pension cost	<u>1,468,713</u>	<u>(599,239)</u>
	\$ <u>2,016,919</u>	\$ <u>(115,953)</u>

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 5 – Pension Plan – Continued

The assumptions shown below were used in accounting for the pension plan as of 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Discount rate	4.30%	5.33%
Rates of increase in compensation (due to freeze)	0.00%	0.00%
Expected long-term rate of return on assets	3.25%	5.00%

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 3.25% 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,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 5 – Pension Plan – Continued

The following table summarizes plan assets measured at fair value at June 30, 2012, 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	\$ 388,780	\$ -	\$ -	\$ 388,780
Equity securities:				
Common stock	1,915,719	-	-	1,915,719
Mutual funds:				
Small Cap	171,908	-	-	171,908
Mid Cap	141,286	-	-	141,286
International	620,458	-	-	620,458
	<u>2,849,371</u>	<u>-</u>	<u>-</u>	<u>2,849,371</u>
Fixed income:				
U.S. treasury notes	747,933	-	-	747,933
Corporate bonds	2,164,878	-	-	2,164,878
Municipal bonds	-	2,066,039	-	2,066,039
Mutual funds	22,904	-	-	22,904
	<u>2,935,715</u>	<u>2,066,039</u>	<u>-</u>	<u>5,001,754</u>
Total	<u>\$ 6,173,866</u>	<u>\$ 2,066,039</u>	<u>\$ -</u>	<u>\$ 8,239,905</u>

The Association's asset allocation at June 30, 2011 is as follows:

Equity	43%	\$ 2,277,465
Fixed income	55%	5,674,499
Cash and cash equivalents	2%	<u>125,774</u>
Total	100%	<u>\$ 8,077,738</u>

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 5 – Pension Plan – Continued

The Associations' target asset allocation as of June 20, 2012, by asset category, is as follows:

Equity	20-50%
Fixed income	50-75%
Cash and cash equivalents	0-5%

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 \$425,000 to its pension plan for the year ending June 30, 2013.

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

Years Ending <u>June 30,</u>	
2013	\$ 658,158
2014	660,037
2015	666,418
2016	683,726
2017	683,321
2018-2022	3,537,206

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 5 – Pension Plan – Continued

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

	<u>July 1, 2011</u>	Reclassified as Net Periodic <u>Benefit Cost</u>	Amounts Arising <u>During Period</u>	<u>June 30, 2012</u>
Net loss	\$ <u>3,405,729</u>	\$ <u>(231,762)</u>	\$ <u>1,700,475</u>	\$ <u>4,874,442</u>
	<u>July 1, 2010</u>	Reclassified as Net Periodic <u>Benefit Cost</u>	Amounts Arising <u>During Period</u>	<u>June 30, 2011</u>
Net loss	\$ <u>4,004,968</u>	\$ <u>(306,306)</u>	\$ <u>(292,933)</u>	\$ <u>3,405,729</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 \$95,865 and \$89,991 for the years ending June 30, 2012 and 2011, 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Projected benefit obligation	\$ (1,302,110)	\$ (968,064)
Fair value of plan assets	<u>4,309</u>	<u>23,667</u>
Funded status	\$ <u>(1,297,801)</u>	\$ <u>(944,397)</u>

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 6 – Employee Benefit Plans – Continued

	<u>2012</u>	<u>2011</u>
Accrued benefit cost included in current accrued expenses	\$ -	\$ -
Accrued benefit cost included in long-term pension and deferred compensation liabilities	<u>(1,297,801)</u>	<u>(944,397)</u>
	\$ <u>(1,297,801)</u>	\$ <u>(944,397)</u>
Accumulated benefit obligation	\$ <u>1,097,463</u>	\$ <u>815,266</u>
Employer contribution	\$ <u>-</u>	\$ <u>87,155</u>
Benefits paid	\$ <u>19,408</u>	\$ <u>68,204</u>

Amounts recognized in statements of activities for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Service cost	\$ 54,439	\$ 81,464
Interest cost	53,947	30,388
Actual return on plan assets	(50)	284
Net asset loss deferred for later recognition	(381)	(4,844)
Amortization of net loss from earlier period	<u>101,640</u>	<u>-</u>
Net periodic benefit cost	209,595	107,292
Benefit related changes other than net periodic benefit cost	<u>143,809</u>	<u>351,219</u>
	\$ <u>353,404</u>	\$ <u>458,511</u>

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 6 – Employee Benefit Plans – Continued

Amounts used to determine benefit obligation as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Discount rate	4.37%	5.33%
Rates of increase in compensation	6.00%	3.60%
Expected long-term rate of return on assets	3.25%	5.00%

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

<u>Years Ending June 30,</u>	
2013	\$ 57,819
2014	59,283
2015	60,759
2016	62,247
2017	62,835
2018-2022	332,197

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,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 8 – Commitments

The Association leases certain office equipment under noncancelable operating leases.

Future minimum lease payments are as follows:

Years Ending June 30,	
2013	\$ 14,292
2014	14,292
2015	11,477
2016	7,536
2017	<u>7,536</u>
Total	<u>\$ 55,133</u>

Total lease expense for the years ended June 30, 2012 and 2011 were \$23,016 and \$14,984, respectively.

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, 2012, 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.

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Notes to Financial Statements – Continued

June 30, 2012 and 2011

Note 11 – Subsequent Events:

No events have occurred subsequent to June 30, 2012, that are required to be disclosed in the financial statements. This evaluation was made as of November 9, 2012, 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, 2012

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Athletic Officials:			
Dues and registration	\$ 869,023	\$ 281,956	\$ 587,067
Boys Athletic Tournaments:			
Baseball	390,252	248,210	142,042
Basketball	2,139,055	951,220	1,187,835
Bass fishing	56,100	9,192	46,908
Bowling	15,610	12,930	2,680
Cross country	17,463	46,683	(29,220)
Football	2,117,146	1,032,786	1,084,360
Golf	5,200	45,571	(40,371)
Gymnastics	13,432	23,118	(9,686)
Soccer	301,040	217,489	83,551
Swimming	58,385	48,294	10,091
Tennis	300	22,943	(22,643)
Track and field	152,766	93,262	59,504
Volleyball	96,957	83,326	13,631
Wrestling	526,902	397,336	129,566
Water polo	38,037	27,410	10,627
Sportsmanship promotions	-	400	(400)
	<u>5,928,645</u>	<u>3,260,170</u>	<u>2,668,475</u>
Girls Athletic Tournaments:			
Badminton	10,743	17,932	(7,189)
Basketball	748,032	707,886	40,146
Bowling	19,690	11,755	7,935
Cross country	17,563	46,683	(29,120)
Golf	100	26,638	(26,538)
Gymnastics	30,705	46,782	(16,077)
Soccer	243,172	189,741	53,431
Softball	263,521	244,196	19,325
Swimming	55,895	51,617	4,278
Tennis	250	23,006	(22,756)
Track and field	126,886	87,007	39,879
Volleyball	493,430	351,353	142,077
Water polo	36,473	26,656	9,817
	<u>2,046,460</u>	<u>1,831,252</u>	<u>215,208</u>

-Continued-

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Schedule of Revenues and Expenses – Continued

For the Year Ended June 30, 2012

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Contests:			
Music	\$ 180,354	\$ 189,104	\$ (8,750)
Speech	49,500	149,104	(99,604)
Chess	-	26,899	(26,899)
Scholastic Bowl	2,605	44,651	(42,046)
Competitive cheerleading	180,447	90,390	90,057
Journalism	<u>12,225</u>	<u>21,801</u>	<u>(9,576)</u>
	<u>425,131</u>	<u>521,949</u>	<u>(96,818)</u>
Other Revenue, Gains, and Other Support:			
Donations	353,842	-	353,842
Publications	125,612	256,537	(130,925)
Souvenirs	212,553	-	212,553
Miscellaneous	9,311	7,752	1,559
Radio and television	13,096	-	13,096
Awards	-	302,736	(302,736)
Drug testing	-	100,107	(100,107)
Royalty income	257,538	-	257,538
Contract services	45,888	-	45,888
TV / Internet income	250,000	250,000	-
Special events	<u>319,457</u>	<u>224,692</u>	<u>94,765</u>
	<u>\$ 1,587,297</u>	<u>\$ 1,141,824</u>	<u>445,473</u>
Investment income, net			<u>112,506</u>
Total before administrative expenses			3,931,911
Administrative expenses			<u>3,791,146</u>
Change in net assets before pension related changes other than net periodic pension cost			<u>\$ 140,765</u>

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Schedule of Revenues and Expenses

For the Year Ended June 30, 2011

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Athletic Officials:			
Dues and registration	\$ 900,053	\$ 308,280	\$ 591,773
Boys Athletic Tournaments:			
Baseball	340,146	241,669	98,477
Basketball	2,176,231	949,357	1,226,874
Bass fishing	60,600	11,485	49,115
Bowling	17,516	13,729	3,787
Cross country	29,618	54,062	(24,444)
Football	2,335,716	1,068,909	1,266,807
Golf	5,200	46,528	(41,328)
Gymnastics	14,627	22,024	(7,397)
Soccer	262,366	194,358	68,008
Swimming	57,599	52,732	4,867
Tennis	100	23,073	(22,973)
Track and field	150,050	99,105	50,945
Volleyball	83,551	84,246	(695)
Wrestling	475,981	363,575	112,406
Water polo	49,770	25,724	24,046
Sportsmanship promotions	-	835	(835)
	<u>6,059,071</u>	<u>3,251,411</u>	<u>2,807,660</u>
Girls Athletic Tournaments:			
Badminton	9,575	17,152	(7,577)
Basketball	766,643	705,015	61,628
Bowling	20,120	13,724	6,396
Cross country	29,818	54,062	(24,244)
Golf	200	27,994	(27,794)
Gymnastics	29,476	46,594	(17,118)
Soccer	178,776	171,585	7,191
Softball	225,425	237,724	(12,299)
Swimming	60,570	50,193	10,377
Tennis	100	22,231	(22,131)
Track and field	127,505	94,483	33,022
Volleyball	516,384	333,615	182,769
Water polo	11,945	25,439	(13,494)
	<u>1,976,537</u>	<u>1,799,811</u>	<u>176,726</u>

-Continued-

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Schedule of Revenues and Expenses – Continued

For the Year Ended June 30, 2011

	<u>Revenue</u>	<u>Expense</u>	<u>Net Amount</u>
Contests:			
Music	\$ 186,501	\$ 187,448	\$ (947)
Speech	50,890	154,925	(104,035)
Chess	200	29,710	(29,510)
Scholastic Bowl	2,325	45,259	(42,934)
Competitive cheerleading	159,993	79,961	80,032
Journalism	<u>13,160</u>	<u>22,828</u>	<u>(9,668)</u>
	<u>413,069</u>	<u>520,131</u>	<u>(107,062)</u>
Other Revenue, Gains, and Other Support:			
Donations	366,750	-	366,750
Publications	125,955	232,375	(106,420)
Souvenirs	212,547	18,245	194,302
Miscellaneous	25,787	2,466	23,321
Radio and television	11,367	-	11,367
Awards	-	292,573	(292,573)
Drug testing	20,300	112,030	(91,730)
Royalty income	240,442	-	240,442
Contract services	44,640	-	44,640
TV / Internet income	250,000	250,718	(718)
Special events	<u>338,565</u>	<u>217,441</u>	<u>121,124</u>
	<u>\$ 1,636,353</u>	<u>\$ 1,125,848</u>	<u>510,505</u>
Investment income, net			<u>104,350</u>
Total before administrative expenses			4,083,952
Administrative expenses			<u>3,719,876</u>
Change in net assets before pension related changes other than net periodic pension cost			<u>\$ 364,076</u>

**ILLINOIS HIGH SCHOOL ASSOCIATION,
Bloomington, Illinois**

Schedule of General and Administrative Expenses

For the Year Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Actuarial services	\$ 35,981	\$ 32,206
Audit and legal services	161,304	129,090
Automobile	20,329	17,584
Board of Directors	50,578	75,748
Building improvements	10,166	8,796
Building utilities	55,977	61,446
Committee expenses	69,765	49,258
Depreciation	122,024	124,584
Employee expense	55,101	97,305
Insurance	440,318	447,788
Maintenance	19,734	21,055
Miscellaneous	32,730	5,282
Newspaper subscriptions	568	563
Office expenses	100,193	105,209
Postage	59,616	73,906
Printing	39,626	40,956
Promotion	7,607	10,960
Retirement expenses:		
Pension	548,206	483,286
Contributions – 401(k)	95,865	89,991
Deferred compensation	209,595	107,292
Salaries and related taxes	1,631,718	1,712,905
Sales tax	2,211	1,277
Sponsorship	800	1,100
Telephone	<u>21,134</u>	<u>22,289</u>
 Total general and administrative expenses	 <u>\$ 3,791,146</u>	 <u>\$ 3,719,876</u>