

**REPORT OF**  
**MISSOURI STATE HIGH SCHOOL**  
**ACTIVITIES ASSOCIATION**  
**JUNE 30, 2023 AND 2022**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Missouri State High School Activities Association

### **Opinion**

We have audited the accompanying financial statements of the Missouri State High School Activities Association (the Association), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and 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 audits 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Williams-Keepers LLC  
Jefferson City, Missouri



June 11, 2026

# MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

## STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

|                                                | 2023                | 2022                |
|------------------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                  |                     |                     |
| <b>CURRENT ASSETS</b>                          |                     |                     |
| Cash and cash equivalents                      | \$ 1,918,256        | \$ 1,524,705        |
| Certificates of deposit                        | 135,741             | 135,717             |
| Accounts receivable                            | 2,017,907           | 1,544,796           |
| Prepaid expenses                               | 172,387             | 264,661             |
| Total current assets                           | 4,244,291           | 3,469,879           |
| <b>NON-CURRENT ASSETS</b>                      |                     |                     |
| Property, building and equipment, net          | 3,409,275           | 3,697,413           |
| Operating lease right-of-use asset             | 57,015              | -                   |
| Finance lease right-of-use asset               | 145,945             | -                   |
| Total assets                                   | <u>\$ 7,856,526</u> | <u>\$ 7,167,292</u> |
| <b>LIABILITIES AND NET ASSETS</b>              |                     |                     |
| <b>CURRENT LIABILITIES</b>                     |                     |                     |
| Accounts payable                               | \$ 784,490          | \$ 577,814          |
| Deferred revenue                               | 714,050             | 698,753             |
| Accrued leave liability                        | 110,234             | 120,960             |
| Current portion of operating lease liability   | 35,477              | -                   |
| Current portion of finance lease liability     | 35,740              | 35,598              |
| Total current liabilities                      | 1,679,991           | 1,433,125           |
| Long-term portion of operating lease liability | 21,538              | -                   |
| Long-term portion of finance lease liability   | 108,081             | 143,821             |
| Total liabilities                              | 1,809,610           | 1,576,946           |
| NET ASSETS WITHOUT DONOR RESTRICTIONS          | 6,046,916           | 5,590,346           |
| Total liabilities and net assets               | <u>\$ 7,856,526</u> | <u>\$ 7,167,292</u> |

The notes to financial statements are an integral part of these statements.

# MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

## STATEMENTS OF ACTIVITIES Years Ended June 30, 2023 and 2022

|                                                  | 2023                       | 2022                       |
|--------------------------------------------------|----------------------------|----------------------------|
| REVENUES                                         |                            |                            |
| Tournaments                                      | \$ 6,426,249               | \$ 5,815,065               |
| Activity and tournament registration fees        | 1,129,080                  | 1,114,670                  |
| Sponsorships                                     | 572,370                    | 516,240                    |
| Officials registration fees and penalties        | 465,961                    | 435,266                    |
| Streaming revenue                                | 376,304                    | 332,390                    |
| Royalties and rights fees                        | 368,762                    | 332,445                    |
| Other                                            | 165,536                    | 55,831                     |
| Sales of rule books, officials emblems, etc.     | 122,868                    | 97,452                     |
| Penalties                                        | 90,667                     | 99,510                     |
| Other programs                                   | 90,500                     | 77,130                     |
| Rent                                             | 12,162                     | 11,200                     |
| Interest revenue                                 | 11,665                     | 991                        |
| Catastrophic insurance premiums, net of expenses | 1,157                      | (17,566)                   |
| Total revenues                                   | <u>9,833,281</u>           | <u>8,870,624</u>           |
| FUNCTIONAL EXPENSES                              |                            |                            |
| Activity administration                          | 5,543,851                  | 5,028,395                  |
| General administration                           | 2,439,799                  | 2,359,861                  |
| Other programs                                   | 838,080                    | 736,162                    |
| Eligibility interpretations                      | 554,981                    | 497,655                    |
| Total expenses                                   | <u>9,376,711</u>           | <u>8,622,073</u>           |
| Increase in net assets                           | 456,570                    | 248,551                    |
| Net assets, beginning of year                    | <u>5,590,346</u>           | <u>5,341,795</u>           |
| Net assets, end of year                          | <u><u>\$ 6,046,916</u></u> | <u><u>\$ 5,590,346</u></u> |

The notes to financial statements are an integral part of these statements.

# MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

|                                         | Activity<br>Administration | General<br>Administration | Other Programs    | Eligibility<br>Interpretations | Total<br>2023       | Total<br>2022       |
|-----------------------------------------|----------------------------|---------------------------|-------------------|--------------------------------|---------------------|---------------------|
| Tournaments                             | \$ 4,227,670               | \$ -                      | \$ -              | \$ -                           | \$ 4,227,670        | \$ 3,813,323        |
| Salaries and benefits                   | 925,160                    | 1,445,562                 | 289,112           | 231,290                        | 2,891,124           | 2,681,689           |
| Association administration              | 47,678                     | 282,091                   | 51,650            | 15,892                         | 397,311             | 401,095             |
| Depreciation and amortization           | 104,504                    | 163,288                   | 32,658            | 26,126                         | 326,576             | 320,872             |
| Professional services                   | -                          | 29,301                    | -                 | 263,708                        | 293,009             | 252,239             |
| General and liability insurance         | -                          | 230,188                   | -                 | -                              | 230,188             | 255,901             |
| National Federation materials           | -                          | -                         | 201,562           | -                              | 201,562             | 171,143             |
| Officials administration                | -                          | -                         | 197,155           | -                              | 197,155             | 155,183             |
| Postage and shipping                    | 64,597                     | 21,532                    | 16,149            | 5,383                          | 107,661             | 94,371              |
| Utilities                               | 33,142                     | 51,786                    | 10,357            | 8,286                          | 103,571             | 74,170              |
| Equipment lease, repair and maintenance | -                          | 67,556                    | -                 | -                              | 67,556              | 70,187              |
| Other                                   | -                          | 59,908                    | -                 | -                              | 59,908              | 69,471              |
| Streaming                               | 56,424                     | -                         | -                 | -                              | 56,424              | 49,215              |
| Music materials and awards              | 52,448                     | -                         | -                 | -                              | 52,448              | 50,408              |
| Building and grounds                    | -                          | 40,327                    | -                 | -                              | 40,327              | 55,990              |
| Printing and publications               | 22,570                     | 7,523                     | 5,642             | 1,881                          | 37,616              | 27,977              |
| Photography                             | -                          | -                         | 30,777            | -                              | 30,777              | 28,744              |
| Telephone                               | 9,658                      | 15,091                    | 3,018             | 2,415                          | 30,182              | 29,239              |
| Office supplies                         | -                          | 21,354                    | -                 | -                              | 21,354              | 18,546              |
| Dues and subscriptions                  | -                          | 3,574                     | -                 | -                              | 3,574               | 1,450               |
| Interest expense                        | -                          | 718                       | -                 | -                              | 718                 | 860                 |
| Total expenses                          | <u>\$ 5,543,851</u>        | <u>\$ 2,439,799</u>       | <u>\$ 838,080</u> | <u>\$ 554,981</u>              | <u>\$ 9,376,711</u> | <u>\$ 8,622,073</u> |

The notes to financial statements are an integral part of these statements.

# MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

|                                         | Activity<br>Administration | General<br>Administration | Other Programs    | Eligibility<br>Interpretations | Total<br>2022       |
|-----------------------------------------|----------------------------|---------------------------|-------------------|--------------------------------|---------------------|
| Tournaments                             | \$ 3,813,323               | \$ -                      | \$ -              | \$ -                           | \$ 3,813,323        |
| Salaries and benefits                   | 858,140                    | 1,340,845                 | 268,169           | 214,535                        | 2,681,689           |
| Association administration              | 48,132                     | 284,777                   | 52,142            | 16,044                         | 401,095             |
| Depreciation and amortization           | 102,679                    | 160,436                   | 32,087            | 25,670                         | 320,872             |
| General and liability insurance         | -                          | 255,901                   | -                 | -                              | 255,901             |
| Professional services                   | -                          | 25,224                    | -                 | 227,015                        | 252,239             |
| National Federation materials           | -                          | -                         | 171,143           | -                              | 171,143             |
| Officials administration                | -                          | -                         | 155,183           | -                              | 155,183             |
| Postage and shipping                    | 56,622                     | 18,874                    | 14,156            | 4,719                          | 94,371              |
| Utilities                               | 23,734                     | 37,085                    | 7,417             | 5,934                          | 74,170              |
| Equipment lease, repair and maintenance | -                          | 70,187                    | -                 | -                              | 70,187              |
| Other                                   | -                          | 69,471                    | -                 | -                              | 69,471              |
| Building and grounds                    | -                          | 55,990                    | -                 | -                              | 55,990              |
| Music materials and awards              | 50,408                     | -                         | -                 | -                              | 50,408              |
| Streaming                               | 49,215                     | -                         | -                 | -                              | 49,215              |
| Telephone                               | 9,356                      | 14,620                    | 2,924             | 2,339                          | 29,239              |
| Photography                             | -                          | -                         | 28,744            | -                              | 28,744              |
| Printing and publications               | 16,786                     | 5,595                     | 4,197             | 1,399                          | 27,977              |
| Office supplies                         | -                          | 18,546                    | -                 | -                              | 18,546              |
| Dues and subscriptions                  | -                          | 1,450                     | -                 | -                              | 1,450               |
| Interest expense                        | -                          | 860                       | -                 | -                              | 860                 |
| Total expenses                          | <u>\$ 5,028,395</u>        | <u>\$ 2,359,861</u>       | <u>\$ 736,162</u> | <u>\$ 497,655</u>              | <u>\$ 8,622,073</u> |

The notes to financial statements are an integral part of these statements.

# MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

## STATEMENTS OF CASH FLOWS Years Ended June 30, 2023 and 2022

|                                                                                                                  | 2023                       | 2022                       |
|------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                      |                            |                            |
| Change in net assets without restrictions                                                                        | \$ 456,570                 | \$ 248,551                 |
| Adjustments to reconcile change in net assets without restrictions to net cash provided by operating activities: |                            |                            |
| Depreciation and amortization                                                                                    | 326,576                    | 320,872                    |
| Net gain on disposal of property, building and equipment                                                         | (20,176)                   | -                          |
| Changes in operating assets and operating liabilities:                                                           |                            |                            |
| Accounts receivable                                                                                              | (473,111)                  | (337,834)                  |
| Prepaid expenses                                                                                                 | 92,274                     | (54,237)                   |
| Accounts payable                                                                                                 | 178,326                    | 144,393                    |
| Deferred revenue                                                                                                 | 15,297                     | (115,879)                  |
| Accrued leave liability                                                                                          | (10,726)                   | 39,723                     |
| Net cash provided by operating activities                                                                        | <u>565,030</u>             | <u>245,589</u>             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                                      |                            |                            |
| Change in certificates of deposits                                                                               | (24)                       | (32)                       |
| Proceeds from sale of property, building and equipment                                                           | 30,000                     | -                          |
| Purchases of property, building and equipment                                                                    | <u>(165,857)</u>           | <u>(403,220)</u>           |
| Net cash used by investing activities                                                                            | <u>(135,881)</u>           | <u>(403,252)</u>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                                      |                            |                            |
| Principal payments on finance lease liabilities                                                                  | <u>(35,598)</u>            | <u>(35,456)</u>            |
| Net cash used by financing activities                                                                            | <u>(35,598)</u>            | <u>(35,456)</u>            |
| Net change in cash and cash equivalents                                                                          | 393,551                    | (193,119)                  |
| Cash and cash equivalents, beginning of year                                                                     | <u>1,524,705</u>           | <u>1,717,824</u>           |
| Cash and cash equivalents, end of year                                                                           | <u><u>\$ 1,918,256</u></u> | <u><u>\$ 1,524,705</u></u> |
| <b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>                                                                        |                            |                            |
| Cash paid for interest                                                                                           | \$ 718                     | \$ 860                     |
| Noncash investing and financing activities:                                                                      |                            |                            |
| Property, building and equipment acquired via accounts payable                                                   | \$ 28,350                  | \$ -                       |
| Right-of-use assets obtained in exchange for new operating lease liabilities                                     | \$ 57,015                  | \$ -                       |
| Reclassification of existing capital lease asset and obligation upon ASC 842 adoption                            | \$ 181,543                 | \$ -                       |

The notes to financial statements are an integral part of these statements.

# MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Nature of activities:* Missouri State High School Activities Association (the Association) is a voluntary non-profit, educational association of secondary schools established for the purpose of working collaboratively to develop and adopt standards of supervision and administration to regulate the diverse interscholastic activities and contests which are developed by the member schools to the jurisdiction of the Association. The Association's major revenue sources include ticket sales from tournaments and festivals as well as activity participation and tournament registration fees.

*Basis of accounting:* The financial statements of the Association have been prepared on the accrual basis of accounting; therefore, revenues are recognized when performance obligations are satisfied and expenses are recognized when incurred.

*Financial statement presentation:* Not-for-profit organizations are required to report information regarding financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Restrictions refer to stipulations placed on contributions to a not-for-profit organization by donors. The Association generally does not receive contributions and, accordingly, its net assets and changes in net assets are without donor restrictions.

*Revenue recognition:* The Association recognizes revenue in accordance with ASC 606. Revenue is recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration the Association expects to be entitled to in exchange for those goods or services.

The Association generates revenue primarily from administering interscholastic athletic and activity programs, including tournaments, activity and tournament participation fees, officials registration fees, sponsorship agreements, and licensing and media rights.

Tournament revenues consist primarily of ticket sales and event-related revenues associated with state championship and postseason events administered by the Association. Sponsorship, licensing, and media rights revenues generally relate to specific events or promotional activities. Performance obligations associated with these revenues are generally satisfied at a point in time when the related event occurs or when the associated promotional or licensing benefits are delivered.

Activity, tournament, and officials registration fees provide participating schools and officials access to sanctioned athletic and activity programs and related services throughout the applicable participation or registration period. The Association's performance obligation for these arrangements is to stand ready and provide ongoing administration, oversight, and access to sanctioned programs during the applicable period. As schools and officials simultaneously receive and consume the benefits provided, revenue associated with these arrangements is recognized over time, generally on a straight-line basis over the applicable participation or registration period.

Amounts received in advance for events or activities occurring subsequent to year end are recorded as deferred revenue until the related performance obligations are satisfied.

Variable consideration, such as refunds, discounts, or other adjustments, is estimated based on historical experience and current trends. Management has concluded that such amounts are immaterial and are included in the transaction price only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur.

Revenue recognized at a point in time consists primarily of tournament revenues, sponsorship agreements, and licensing and media rights. Revenue recognized over time consists primarily of activity, tournament, and officials registration fees.

*Management estimates:* Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Significant estimates used by management include the net realizable amount of accounts receivable and the useful lives of building and equipment for calculating depreciation expense.

*Functional allocation of expenses:* The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Cash and cash equivalents:* Cash and cash equivalents consist of interest-bearing demand deposit accounts and other overnight bank investment accounts. These accounts are held at established financial institutions and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The account balances frequently exceed the FDIC insurance limits.

*Accounts receivable:* Accounts receivable are carried at original invoice amount less an estimate for doubtful collections. The Association estimates an allowance for doubtful accounts based on a specific review of account balances and consideration of historical write-offs. The Association considers all receivables to be fully collectible and, accordingly, has not recorded an allowance for doubtful accounts. Interest is not charged on past due accounts. The balances of accounts receivable totaled \$2,017,907, \$1,544,796, and \$1,206,962 at June 30, 2023, 2022, and 2021, respectively.

*Property, building and equipment:* Property, building and equipment, including computer software, are recorded at cost. Depreciation of property, building and equipment and amortization of computer software are calculated using the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 40 years. Expenditures for routine maintenance and repairs are charged to expense as incurred, while significant renewals and betterments that materially extend the useful life of an asset or increase its value are capitalized.

*Deferred revenue:* Membership dues, official fees, activity tournament entry fees and activity participation fees are recognized as revenue in the year in which the respective event is held. Fees received in advance are recorded as deferred revenue. The balances of deferred revenue totaled \$714,050, \$698,753, and \$814,632 at June 30, 2023, 2022, and 2021, respectively.

*Income taxes:* The Association is a not-for-profit association organized under Internal Revenue Code Section 501(c)(3) and, as such, is not subject to federal or state income tax.

*Reclassifications:* Certain amounts related to the prior year have been reclassified to conform to the current year presentation with no effect on previously reported net assets

*Subsequent events:* Events that have occurred subsequent to June 30, 2023, have been evaluated by management through June 11, 2026, which represents the date the Association's financial statements were approved by management and, therefore, were available to be issued.

## 2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association's financial assets were comprised of the following at June 30, 2023:

|                           |                            |
|---------------------------|----------------------------|
| Cash and cash equivalents | \$ 1,918,256               |
| Certificates of deposit   | 135,741                    |
| Accounts receivable       | <u>2,017,907</u>           |
| Total                     | <u><u>\$ 4,071,904</u></u> |

Such financial assets were not subject to donor or other restrictions and could readily be made available within one year of the balance sheet date to meet cash needs for general expenditures. The Association structures its financial assets to be available as its general expenditures and other obligations come due.

## 3. PROPERTY, BUILDING AND EQUIPMENT

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

|                                                | <u>2023</u>                | <u>2022</u>                |
|------------------------------------------------|----------------------------|----------------------------|
| Land                                           | \$ 429,806                 | \$ 429,806                 |
| Building                                       | 4,838,678                  | 4,764,239                  |
| Tournament equipment                           | 129,706                    | 355,032                    |
| Office furniture, equipment, and software      | 2,557,582                  | 2,462,533                  |
| Vehicles                                       | <u>209,553</u>             | <u>258,672</u>             |
| Total property, building and equipment         | 8,165,325                  | 8,270,282                  |
| Less accumulated depreciation and amortization | <u>(4,756,050)</u>         | <u>(4,572,869)</u>         |
| Property, building, and equipment, net         | <u><u>\$ 3,409,275</u></u> | <u><u>\$ 3,697,413</u></u> |

Depreciation and amortization expenses totaled \$290,978 and \$320,872 for the years ended June 30, 2023 and 2022, respectively.

## 4. CATASTROPHIC INSURANCE PREMIUMS

Member schools are billed for catastrophic medical and rehabilitation insurance. Member schools paid \$4.98 and \$5.03 per student athlete for insurance for the years ended June 30, 2023 and 2022, respectively. The following are total revenues and expenses:

|                                                           | <u>2023</u>            | <u>2022</u>               |
|-----------------------------------------------------------|------------------------|---------------------------|
| Catastrophic insurance premiums                           | \$ 821,549             | \$ 759,040                |
| Catastrophic medical and rehabilitation insurance expense | <u>820,392</u>         | <u>776,606</u>            |
| Net revenue (expense)                                     | <u><u>\$ 1,157</u></u> | <u><u>\$ (17,566)</u></u> |

## 5. EMPLOYEE BENEFIT PLANS

*Retirement plan:* Some of the Association's employees are covered by a defined benefit retirement plan created by Missouri Statute to provide a retirement benefit for certified teachers. The Association's contributions to this retirement plan for 2023 and 2022 were \$163,331 and \$151,259, respectively.

The Association offers participation in a 401(k) plan to all fulltime employees age 21 and over, effective with their hire date. A participating employee must work a minimum of 1,000 hours annually to receive employer matching contributions and to earn a year of service for vesting purposes. The Association's contributions to participating employees' accounts totaled \$134,969 and \$124,340 for 2023 and 2022, respectively.

*Cafeteria plan:* The Association maintains an Internal Revenue Code Section 125 Cafeteria Plan to allow its employees to realize tax savings on certain benefits as allowable by the law.

## 6. LEASE COMMITMENTS

The Association leases office equipment under noncancelable, long-term operating leases. The Association also leases tournament equipment under a noncancelable, long-term capital lease. The future annual commitments in accordance with Accounting Standards Codification 840, *Leases*, under these leases were as follows as of June 30, 2022:

|                                      | Operating        | Capital           |
|--------------------------------------|------------------|-------------------|
| 2023                                 | \$ 32,856        | \$ 36,316         |
| 2024                                 | 32,856           | 36,316            |
| 2025                                 | 16,428           | 36,316            |
| 2026                                 | -                | 36,316            |
| 2027                                 | -                | 36,316            |
| Total undiscounted lease commitments | 82,140           | 181,580           |
| Less present value discount          | -                | (2,161)           |
| Present value of lease commitments   | <u>\$ 82,140</u> | <u>\$ 179,419</u> |

Effective November 1, 2022, the Association adopted the new lease standard (see Note 8). In evaluating contracts to determine if they qualify as a lease, the Association considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights, which may require significant judgment. As of June 30, 2023, the Association has operating and finance leases for office and tournament equipment. The leases have remaining terms ranging from two to four years.

Operating lease right-of-use (ROU) assets and liabilities and finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. In determining the discount rate used to measure the right-of-use asset and lease liability, the Association has elected to use the risk-free rate practical expedient. The operating lease and finance lease ROU assets also include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain the Association will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Amortization expense for finance lease ROU assets is recognized on a straight-line basis over the useful lives of the underlying assets.

The Association has elected to apply the short-term lease exception. During the year ended June 30, 2023, the Association did not have any short-term leases. Additionally, the Association has elected a practical expedient to combine lease and non-lease components. The Association's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Other information related to leases was as follows for the year ended June 30, 2023:

|                                                                        |            |
|------------------------------------------------------------------------|------------|
| Finance lease expense                                                  |            |
| Amortization of ROU assets                                             | \$ 35,598  |
| Interest on lease liabilities                                          | \$ 718     |
| Operating lease expense                                                | \$ 36,621  |
| Cash paid for amounts included in the measurement of lease liabilities |            |
| Operating cash flows from finance leases (i.e. interest)               | \$ 718     |
| Financing cash flows from finance leases (i.e. principal portion)      | \$ 35,598  |
| Operating cash flows from operating leases                             | \$ 34,480  |
| ROU assets obtained in exchange for new finance lease liabilities      | \$ 181,543 |
| ROU assets obtained in exchange for new operating lease liabilities    | \$ 57,015  |
| Weighted-average remaining finance lease term (in years):              | 3.91       |
| Weighted-average remaining operating lease term (in years):            | 1.77       |
| Weighted-average discount rate for finance leases                      | 4.00%      |
| Weighted-average discount rate for operating leases                    | 2.86%      |

At June 30, 2023, the future minimum lease payments under the non-cancellable leases are as follows for the years ending June 30:

|                               | Operating        | Finance           |
|-------------------------------|------------------|-------------------|
| 2024                          | \$ 36,644        | \$ 36,316         |
| 2025                          | 17,477           | 36,316            |
| 2026                          | 3,787            | 36,316            |
| 2027                          | 631              | 36,316            |
| Total undiscounted cash flows | 58,539           | 145,264           |
| Less present value discount   | (1,524)          | (1,443)           |
| Total lease liability         | <u>\$ 57,015</u> | <u>\$ 143,821</u> |

## 7. CONTINGENCIES

From time to time the Association may become involved in threatened or actual litigation, either as plaintiff or defendant. Costs involved in such actions are expensed as they are incurred. No provision for a possible loss relating to a legal issue is provided for in the financial statements unless a loss is probable and the amount can be reasonably estimated.

## **8. ADOPTION OF NEW ACCOUNTING STANDARD**

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among companies by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the accompanying balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Association adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2022, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

The Association elected the available practical expedients to account for existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. The Association also elected to apply the practical expedient for private companies in Accounting Standards Update 2023-01 to use the written terms and conditions of a common control arrangement to determine whether a lease exists.

The standard had a material impact on the Association's statements of financial position but did not have a material impact on the statements of activities or cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases and finance leases. As a result of the adoption of the new lease accounting guidance, the Association recognized on July 1, 2022, an operating lease liability and right-of-use asset of \$88,659, which represents the present value of the remaining operating lease payments discounted using the risk-free rate as of the date of adoption. On July 1, 2022, a capital lease of \$181,580 that had previously been included with property, building, and equipment and the related debt obligations were converted to a finance lease ROU asset and a finance lease liability.

## **9. SUBSEQUENT EVENT**

Subsequent to June 30, 2023, the Association paid approximately \$140,000 to the Internal Revenue Service in connection with penalties assessed for the late filing of certain required information returns and related forms. The Association has implemented measures intended to improve compliance with filing requirements and prevent similar penalties in future periods.

# MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

## SCHEDULE OF TOURNAMENT REVENUES AND EXPENSES

Years Ended June 30, 2023 and 2022

|                               | 2023                |                     | 2022                |                     |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
|                               | Revenues            | Expenses            | Revenues            | Expenses            |
| Baseball                      | \$ 584,818          | \$ 275,411          | \$ 484,044          | \$ 228,380          |
| Basketball, Boys and Girls    | 1,933,397           | 1,045,740           | 1,664,289           | 950,445             |
| Cheerleading                  | 55,310              | 25,042              | 51,765              | 25,051              |
| Cross Country, Boys and Girls | 143,273             | 85,528              | 116,271             | 75,940              |
| Football                      | 1,023,168           | 553,061             | 1,133,662           | 556,411             |
| Golf, Boys                    | 62,179              | 50,356              | 57,004              | 50,905              |
| Golf, Girls                   | 44,475              | 37,565              | 40,547              | 31,844              |
| Music                         | 262,455             | 403,904             | 246,975             | 383,477             |
| Scholar Bowl                  | 27,800              | 39,895              | 28,050              | 33,681              |
| Soccer, Boys                  | 327,826             | 169,945             | 284,294             | 145,669             |
| Soccer, Girls                 | 251,725             | 154,437             | 232,372             | 133,396             |
| Softball, Fall                | 278,599             | 157,652             | 231,543             | 141,000             |
| Softball, Spring              | 91,251              | 56,698              | 66,617              | 45,523              |
| Speech and Debate             | 38,942              | 49,379              | 34,960              | 44,596              |
| Swimming, Boys                | 31,937              | 41,084              | 24,871              | 33,928              |
| Swimming, Girls               | 32,314              | 38,651              | 24,970              | 34,008              |
| Tennis, Boys                  | 10,068              | 24,136              | 8,447               | 19,884              |
| Tennis, Girls                 | 15,340              | 22,571              | 8,851               | 19,346              |
| Tournaments General Expenses  | -                   | 28,645              | -                   | 22,244              |
| Track, Boys and Girls         | 410,239             | 329,224             | 328,103             | 307,561             |
| Volleyball                    | 487,267             | 301,897             | 423,473             | 276,320             |
| Wrestling                     | 313,866             | 336,849             | 323,957             | 253,714             |
| Total                         | <u>\$ 6,426,249</u> | <u>\$ 4,227,670</u> | <u>\$ 5,815,065</u> | <u>\$ 3,813,323</u> |