

REPORT OF
MISSOURI STATE HIGH SCHOOL
ACTIVITIES ASSOCIATION
JUNE 30, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the Missouri State High School Activities Association (the Association), which comprise the accompanying statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 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 Association as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

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 11 is presented for the purpose 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

William - Key LLC

September 13, 2019

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 752,813	\$ 1,001,969
Certificates of deposit	135,499	135,346
Accounts receivable	1,384,328	1,220,161
Prepaid expenses	687,989	375,398
Total current assets	2,960,629	2,732,874
PROPERTY, BUILDING AND EQUIPMENT		
Land	429,806	429,806
Building	4,452,477	4,427,477
Vehicles, furniture and equipment	772,275	752,515
Computer software and web page	1,559,971	1,452,883
Total property, building and equipment	7,214,529	7,062,681
Less: accumulated depreciation	3,742,077	3,511,998
Net property, building and equipment	3,472,452	3,550,683
Total assets	\$ 6,433,081	\$ 6,283,557
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 427,519	\$ 341,058
Deferred revenue	634,068	613,040
Accrued leave liability	85,012	97,503
Total current liabilities	1,146,599	1,051,601
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Total liabilities and net assets	\$ 6,433,081	\$ 6,283,557

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, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
REVENUES		
Tournaments	\$ 5,363,140	\$ 5,469,473
Activity and tournament registration fees	1,096,130	1,070,870
Officials registration fees and penalties	464,042	466,003
Royalties and rights fees	280,160	268,060
Sponsorships, net of expenses of \$5,568 for 2019 and \$34,003 for 2018	625,220	741,514
Sales of rule books, officials emblems, etc.	111,938	119,806
Other programs	87,976	53,710
Penalties	81,593	81,919
Catastrophic insurance premiums, net of expenses	357	(521)
Rent	11,200	10,475
Interest revenue	1,268	1,072
Other	45,094	30,065
	<u>8,168,118</u>	<u>8,312,446</u>
FUNCTIONAL EXPENSES		
Activity administration	4,708,696	4,686,278
General administration	2,178,688	2,152,213
Other programs	709,324	697,044
Eligibility interpretations	516,884	471,022
	<u>8,113,592</u>	<u>8,006,557</u>
Increase in net assets	54,526	305,889
Net assets, beginning of year	<u>5,231,956</u>	<u>4,926,067</u>
Net assets, end of year	<u><u>\$ 5,286,482</u></u>	<u><u>\$ 5,231,956</u></u>

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MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

(with comparative totals for the year ended June 30, 2018)

	<u>Activity</u> <u>Administration</u>	<u>General</u> <u>Administration</u>	<u>Other Programs</u>	<u>Eligibility</u> <u>Interpretations</u>	<u>Total</u> <u>2019</u>	<u>Total</u> <u>2018</u>
Association administration	\$ 36,894	\$ 218,291	\$ 39,969	\$ 12,298	\$ 307,452	\$ 282,251
Officials administration	-	-	186,868	-	186,868	183,462
Tournaments	3,633,824	-	-	-	3,633,824	3,601,340
Other programs	-	-	6,905	-	6,905	4,960
National Federation materials	-	-	173,169	-	173,169	167,240
Printing and publications	20,942	6,981	5,236	1,745	34,904	53,306
Salaries and benefits	791,890	1,237,328	247,466	197,973	2,474,657	2,529,403
Depreciation and amortization	73,625	115,040	23,008	18,406	230,079	215,728
Building and grounds	-	64,961	-	-	64,961	70,900
Utilities	25,430	39,734	7,947	6,357	79,468	67,952
Telephone	12,624	19,727	3,945	3,157	39,453	28,292
Postage and shipping	59,246	19,749	14,811	4,937	98,743	83,706
Office supplies	-	17,118	-	-	17,118	14,510
Equipment lease, repair and maintenance	-	109,889	-	-	109,889	119,807
Professional services	-	30,224	-	272,011	302,235	250,636
General and liability insurance	-	161,106	-	-	161,106	152,544
Music materials and awards	54,221	-	-	-	54,221	59,620
Dues and subscriptions	-	4,551	-	-	4,551	2,915
Bad debts expense	-	93,750	-	-	93,750	-
Other	-	40,239	-	-	40,239	117,985
Total expenses	\$ 4,708,696	\$ 2,178,688	\$ 709,324	\$ 516,884	\$ 8,113,592	\$ 8,006,557

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, 2018**

	Activity Administration	General Administration	Other Programs	Eligibility Interpretations	Total 2018
Association administration	\$ 33,870	\$ 200,398	\$ 36,693	\$ 11,290	\$ 282,251
Officials administration	-	-	183,462	-	183,462
Tournaments	3,601,340	-	-	-	3,601,340
Other programs	-	-	4,960	-	4,960
National Federation materials	-	-	167,240	-	167,240
Printing and publications	31,984	10,661	7,996	2,665	53,306
Salaries and benefits	809,409	1,264,702	252,940	202,352	2,529,403
Depreciation and amortization	69,033	107,864	21,573	17,258	215,728
Building and grounds	-	70,900	-	-	70,900
Utilities	21,745	33,976	6,795	5,436	67,952
Telephone	9,053	14,146	2,829	2,264	28,292
Postage and shipping	50,224	16,741	12,556	4,185	83,706
Office supplies	-	14,510	-	-	14,510
Equipment lease, repair and maintenance	-	119,807	-	-	119,807
Professional services	-	25,064	-	225,572	250,636
General and liability insurance	-	152,544	-	-	152,544
Music materials and awards	59,620	-	-	-	59,620
Dues and subscriptions	-	2,915	-	-	2,915
Other	-	117,985	-	-	117,985
Total expenses	\$ 4,686,278	\$ 2,152,213	\$ 697,044	\$ 471,022	\$ 8,006,557

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets without restrictions	\$ 54,526	\$ 305,889
Adjustments to reconcile increase in net assets without restrictions to net cash provided by operating activities:		
Depreciation and amortization	230,079	215,728
Write-off of accounts receivable to bad debts expense	93,750	-
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable	(257,917)	(214,840)
Prepaid expenses	(312,591)	(254,754)
Accounts payable	86,461	129,351
Deferred revenue	21,028	3,719
Accrued leave liability	(12,491)	19,231
Net cash provided by operating activities	(97,155)	204,324
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in certificates of deposits	(153)	(80)
Purchase of and additions to building and equipment	(151,848)	(705,762)
Net cash used by investing activities	(152,001)	(705,842)
Net increase (decrease) in cash and cash equivalents	(249,156)	(501,518)
Cash and cash equivalents, beginning of year	1,001,969	1,503,487
Cash and cash equivalents, end of year	\$ 752,813	\$ 1,001,969

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 earned 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.

Management estimates: Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. 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 at June 30, 2019 and 2018 to be fully collectible and has not recorded an allowance for doubtful accounts. Interest is not charged on past due accounts.

Property, building and equipment: Property, building and equipment, which includes computer software, are stated at cost. Depreciation of building and equipment and amortization of computer software are computed on a straight-line basis over the estimated useful lives of the assets. Maintenance and repairs are expensed when incurred. Expenditures which significantly increase asset values or extend useful lives are capitalized.

The following are the estimated lives of the building, equipment and other capital assets:

Building	40 years
Vehicles	5 years
Computer equipment and software	3-5 years
Office furniture and equipment	5-7 years
Printing equipment	7 years
Tournament equipment	5-7 years

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.

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.

Subsequent events: Events that have occurred subsequent to June 30, 2019, have been evaluated by management through September 13, 2019, 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, 2019:

Cash and cash equivalents	\$ 752,813
Certificates of deposit	135,499
Accounts receivable	<u>1,384,328</u>
Total	<u>\$ 2,272,640</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. CATASTROPHIC INSURANCE PREMIUMS

Member schools are billed for catastrophic medical and rehabilitation insurance. Member schools paid \$4.93 per student athlete for insurance for the years ended June 30, 2019 and 2018, respectively. The following are total revenues and expenses:

	<u>2019</u>	<u>2018</u>
Catastrophic insurance premiums	\$ 796,264	\$ 758,471
Catastrophic medical and rehabilitation insurance expense	<u>795,907</u>	<u>758,992</u>
Net revenue (expense)	<u>\$ 357</u>	<u>\$ (521)</u>

4. 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 2019 and 2018 were \$145,880 and \$141,331, 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 \$107,999 and \$114,007 for 2019 and 2018, 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.

5. LEASE COMMITMENT

The Association leases equipment under a long-term operating lease. The existing lease requires monthly lease payments of \$4,170, plus overages, through January 2021. This lease resulted in the following commitment:

Year ending June 30,	
2020	\$ 50,040
2021	<u>25,020</u>
	<u>\$ 75,060</u>

Lease expense under the above lease totaled \$46,287 and \$51,291 for the years ended June 30, 2019 and 2018, respectively.

6. 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.

7. CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses. The Association has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly.

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

SCHEDULE OF TOURNAMENT REVENUES AND EXPENSES

Years Ended June 30, 2019 and 2018

	2019		2018	
	Revenues	Expenses	Revenues	Expenses
Scholar Bowl	\$ 29,640	\$ 38,295	\$ 26,631	\$ 38,563
Baseball	392,062	211,360	391,685	214,204
Basketball, Boys and Girls	1,668,697	907,111	1,627,081	896,752
Cross Country, Boys and Girls	94,515	107,680	101,904	93,858
Cheerleading	34,705	31,133	37,855	30,775
Football	1,087,569	542,442	1,157,931	561,900
Golf, Boys	46,539	32,268	52,512	41,952
Golf, Girls	26,648	20,807	25,875	18,516
Music	331,572	437,166	341,367	444,624
Softball, Fall	244,238	140,682	246,036	144,556
Softball, Spring	57,732	39,898	60,633	38,553
Soccer, Boys	272,952	150,951	311,814	162,763
Soccer, Girls	192,941	127,569	199,854	126,099
Speech and Debate	42,940	42,568	42,037	36,239
Swimming, Boys	24,450	25,844	24,056	25,737
Swimming, Girls	22,952	25,313	26,831	25,744
Tennis, Boys	6,102	15,113	6,549	13,733
Tennis, Girls	7,275	11,568	7,735	12,648
Track, Boys and Girls	249,132	276,014	270,745	273,301
Volleyball	242,681	190,240	228,681	181,590
Wrestling	287,798	233,199	281,661	198,150
Tournaments General Expenses	-	26,603	-	21,083
Total	<u>\$ 5,363,140</u>	<u>\$ 3,633,824</u>	<u>\$ 5,469,473</u>	<u>\$ 3,601,340</u>