

REPORT OF
MISSOURI STATE HIGH SCHOOL
ACTIVITIES ASSOCIATION
JUNE 30, 2016 AND 2015

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, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2016 and 2015, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 9 through 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.

Williams - Keenan LLC

September 7, 2016

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 783,179	\$ 470,326
Certificates of deposit	135,109	134,951
Accounts receivable	691,708	870,712
Prepaid expenses	<u>204,186</u>	<u>143,744</u>
Total current assets	<u>1,814,182</u>	<u>1,619,733</u>
PROPERTY, BUILDING AND EQUIPMENT		
Land	429,806	429,806
Building	3,827,309	3,779,574
Vehicles, furniture and equipment	939,750	914,094
Computer software and web page	<u>1,363,768</u>	<u>1,333,452</u>
Total property, building and equipment	6,560,633	6,456,926
Less: accumulated depreciation	<u>3,492,245</u>	<u>3,289,788</u>
Net property, building and equipment	<u>3,068,388</u>	<u>3,167,138</u>
Total assets	<u><u>\$ 4,882,570</u></u>	<u><u>\$ 4,786,871</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 183,715	\$ 236,409
Deferred revenue	577,557	467,113
Accrued leave liability	<u>62,850</u>	<u>75,146</u>
Total current liabilities	824,122	778,668
NET ASSETS	<u>4,058,448</u>	<u>4,008,203</u>
Total liabilities and net assets	<u><u>\$ 4,882,570</u></u>	<u><u>\$ 4,786,871</u></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, 2016 and 2015

	2016	2015
REVENUES		
Tournaments	\$ 5,014,228	\$ 4,623,665
Activity and tournament registration fees	1,055,740	1,044,780
Officials registration fees and penalties	459,375	466,163
Royalties and rights fees	280,315	257,180
Sponsorships, net of expenses of \$13,449 for 2016 and \$93,335 for 2015	419,470	577,565
Sales of rule books, officials emblems, etc.	114,892	108,361
Other programs	81,914	53,326
Penalties	58,011	53,188
Catastrophic insurance premiums, net of expenses	(14,001)	(18,588)
Rent	9,750	9,750
Interest revenue	164	80
Other	37,416	33,170
	7,517,274	7,208,640
FUNCTIONAL EXPENSES		
Activity administration	4,445,916	4,313,638
General administration	1,840,723	1,815,985
Other programs	734,774	648,182
Eligibility interpretations	445,616	395,036
	7,467,029	7,172,841
Increase in net assets	50,245	35,799
Net assets, beginning of year	4,008,203	3,972,404
Net assets, end of year	\$ 4,058,448	\$ 4,008,203

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, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 50,245	\$ 35,799
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	202,457	256,634
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable	179,004	(216,073)
Prepaid expenses	(60,442)	361,758
Accounts payable	(52,694)	20,541
Deferred revenue	110,444	(34,269)
Accrued leave liability	(12,296)	10,791
Net cash provided by operating activities	416,718	435,181
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in certificates of deposits	(158)	(157)
Purchase of and additions to building and equipment	(103,707)	(196,893)
Net cash used by investing activities	(103,865)	(197,050)
Net increase in cash and cash equivalents	312,853	238,131
Cash and cash equivalents, beginning of year	470,326	232,195
Cash and cash equivalents, end of year	\$ 783,179	\$ 470,326

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

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 classifications: Expenses are grouped in the statement of activities according to the purpose for which costs are incurred. Accordingly, certain costs have been allocated among the programs and supporting activities 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, 2016 and 2015 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, 2016, have been evaluated by management through September 7, 2016, which represents the date the Association's financial statements were approved by management and, therefore, were available to be issued.

2. CATASTROPHIC INSURANCE PREMIUMS

Member schools are billed for catastrophic medical and rehabilitation insurance. Member schools paid \$5.08 per student athlete for insurance in both 2016 and 2015. The following are total revenues and expenses:

	2016	2015
Catastrophic insurance premiums	\$ 728,671	\$ 724,675
Catastrophic medical and rehabilitation insurance expense	742,672	743,263
Net expense	\$ (14,001)	\$ (18,588)

3. 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 2016 and 2015 were \$123,607 and \$119,462, 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 \$103,402 and \$99,713 for 2016 and 2015, 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.

4. LEASE COMMITMENT

The Association leases equipment under a long-term operating lease. The existing lease requires monthly lease payments of \$3,557, plus overages, through November 2017. This lease results in the following commitment:

Year ending June 30,	
2017	\$ 42,684
2018	<u>14,228</u>
	<u>\$ 56,912</u>

Lease expense under the above lease totaled \$48,818 and \$46,479 for the years ended June 30, 2016, and 2015, respectively.

5. 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.

SUPPLEMENTARY INFORMATION

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

SCHEDULE OF TOURNAMENT REVENUES AND EXPENSES

Years Ended June 30, 2016 and 2015

	2016		2015	
	Revenues	Expenses	Revenues	Expenses
Scholar Bowl	\$ 26,150	\$ 38,707	\$ 26,815	\$ 42,111
Baseball	303,756	191,931	331,229	195,437
Basketball, Boys and Girls	1,631,899	847,137	1,498,417	816,914
Cross Country, Boys and Girls	82,490	73,159	43,218	71,779
Cheerleading	26,355	20,042	31,855	9,750
Football	1,055,770	612,066	952,423	597,611
Golf, Boys	38,848	33,772	44,497	36,680
Golf, Girls	22,558	17,920	20,268	17,830
Music	360,357	431,620	358,042	422,810
Softball, Fall	220,800	138,948	172,117	133,043
Softball, Spring	45,263	34,616	44,282	34,396
Soccer, Boys	278,722	159,038	221,573	119,453
Soccer, Girls	157,058	119,741	167,856	110,889
Speech and Debate	41,412	36,530	43,701	40,994
Swimming, Boys	15,418	15,177	15,384	15,425
Swimming, Girls	16,871	15,282	14,483	15,121
Tennis, Boys	6,444	13,525	6,658	10,237
Tennis, Girls	6,841	12,806	6,683	13,489
Track, Boys and Girls	233,569	242,990	205,855	232,907
Volleyball	190,413	179,792	177,993	178,237
Wrestling	253,234	192,492	240,316	192,574
Tournaments General Expenses	-	17,360	-	12,819
Total	\$ 5,014,228	\$ 3,444,651	\$ 4,623,665	\$ 3,320,506

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION
Year Ended June 30, 2016

	Activity Administration	General Administration	Other Programs	Eligibility Interpretations	Total 2016	Total 2015
Association administration	\$ 28,328	\$ 167,608	\$ 30,689	\$ 9,443	\$ 236,068	\$ 271,710
Officials administration	-	-	212,048	-	212,048	161,702
Tournaments	3,444,651	-	-	-	3,444,651	3,320,506
Other programs	-	-	36,258	-	36,258	9,932
National Federation materials	-	-	170,912	-	170,912	159,134
Printing and publications	27,893	9,298	6,973	2,324	46,488	52,744
Salaries and benefits	751,425	1,174,102	234,820	187,856	2,348,203	2,256,889
Depreciation and amortization	64,786	101,229	20,246	16,196	202,457	256,634
Building and grounds	-	41,699	-	-	41,699	44,569
Utilities	20,406	31,885	6,377	5,101	63,769	57,663
Telephone	11,172	17,458	3,492	2,793	34,915	36,850
Postage and shipping	51,835	17,278	12,959	4,320	86,392	89,177
Office supplies	-	10,333	-	-	10,333	10,152
Equipment lease, repair and maintenance	-	104,197	-	-	104,197	108,559
Professional services	-	24,176	-	217,583	241,759	187,141
General and liability insurance	-	98,458	-	-	98,458	80,594
Music materials and awards	45,420	-	-	-	45,420	40,805
Dues and subscriptions	-	2,704	-	-	2,704	2,443
Other	-	40,298	-	-	40,298	25,637
Total expenses	\$ 4,445,916	\$ 1,840,723	\$ 734,774	\$ 445,616	\$ 7,467,029	\$ 7,172,841

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

**SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION
Year Ended June 30, 2015**

	Activity Administration	General Administration	Other Programs	Eligibility Interpretations	Total 2015
Association administration	\$ 32,605	\$ 192,914	\$ 35,322	\$ 10,869	\$ 271,710
Officials administration	-	-	161,702	-	161,702
Tournaments	3,320,506	-	-	-	3,320,506
Other programs	-	-	9,932	-	9,932
National Federation materials	-	-	159,134	-	159,134
Printing and publications	31,646	10,549	7,912	2,637	52,744
Salaries and benefits	722,204	1,128,445	225,689	180,551	2,256,889
Depreciation and amortization	82,123	128,317	25,663	20,531	256,634
Building and grounds	-	44,569	-	-	44,569
Utilities	18,452	28,832	5,766	4,613	57,663
Telephone	11,791	18,425	3,686	2,949	36,850
Postage and shipping	53,506	17,835	13,377	4,459	89,177
Office supplies	-	10,152	-	-	10,152
Equipment lease, repair and maintenance	-	108,559	-	-	108,559
Professional services	-	18,714	-	168,427	187,141
General and liability insurance	-	80,594	-	-	80,594
Music materials and awards	40,805	-	-	-	40,805
Dues and subscriptions	-	2,443	-	-	2,443
Other	-	25,637	-	-	25,637
Total expenses	\$ 4,313,638	\$ 1,815,985	\$ 648,182	\$ 395,036	\$ 7,172,841