

REPORT OF
MISSOURI STATE HIGH SCHOOL
ACTIVITIES ASSOCIATION
JUNE 30, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 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.

William - Koepf LLC
September 7, 2018

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,001,969	\$ 1,503,487
Certificates of deposit	135,346	135,266
Accounts receivable	1,220,161	1,005,321
Prepaid expenses	375,398	120,644
Total current assets	<u>2,732,874</u>	<u>2,764,718</u>
PROPERTY, BUILDING AND EQUIPMENT		
Land	429,806	429,806
Building	4,427,477	3,880,635
Vehicles, furniture and equipment	752,515	990,402
Computer software and web page	1,452,883	1,429,710
Total property, building and equipment	7,062,681	6,730,553
Less: accumulated depreciation	<u>3,511,998</u>	<u>3,669,904</u>
Net property, building and equipment	<u>3,550,683</u>	<u>3,060,649</u>
Total assets	<u>\$ 6,283,557</u>	<u>\$ 5,825,367</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 341,058	\$ 211,707
Deferred revenue	613,040	609,321
Accrued leave liability	97,503	78,272
Total current liabilities	1,051,601	899,300
NET ASSETS	<u>5,231,956</u>	<u>4,926,067</u>
Total liabilities and net assets	<u>\$ 6,283,557</u>	<u>\$ 5,825,367</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, 2018 and 2017

	2018	2017
REVENUES		
Tournaments	\$ 5,469,473	\$ 5,836,133
Activity and tournament registration fees	1,070,870	1,059,235
Officials registration fees and penalties	466,003	461,204
Royalties and rights fees	268,060	276,555
Sponsorships, net of expenses of \$34,003 for 2018 and \$27,003 for 2017	741,514	658,604
Sales of rule books, officials emblems, etc.	119,806	93,575
Other programs	53,710	67,617
Penalties	81,919	59,171
Catastrophic insurance premiums, net of expenses	(521)	4,539
Rent	10,475	9,750
Interest revenue	1,072	174
Other	30,065	20,769
Total revenues	8,312,446	8,547,326
FUNCTIONAL EXPENSES		
Activity administration	4,686,278	4,549,225
General administration	2,152,213	1,970,477
Other programs	697,044	686,070
Eligibility interpretations	471,022	473,935
Total expenses	8,006,557	7,679,707
Increase in net assets	305,889	867,619
Net assets, beginning of year	4,926,067	4,058,448
Net assets, end of year	\$ 5,231,956	\$ 4,926,067

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 305,889	\$ 867,619
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	215,728	188,677
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable	(214,840)	(313,613)
Prepaid expenses	(254,754)	83,542
Accounts payable	129,351	27,992
Deferred revenue	3,719	31,764
Accrued leave liability	19,231	15,422
Net cash provided by operating activities	204,324	901,403
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in certificates of deposits	(80)	(157)
Purchase of and additions to building and equipment	(705,762)	(180,938)
Net cash used by investing activities	(705,842)	(181,095)
Net increase (decrease) in cash and cash equivalents	(501,518)	720,308
Cash and cash equivalents, beginning of year	1,503,487	783,179
Cash and cash equivalents, end of year	\$ 1,001,969	\$ 1,503,487

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, 2018 and 2017 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, 2018, have been evaluated by management through September 7, 2018, 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 \$4.93 and \$5.08 per student athlete for insurance for the years ended June 30, 2018 and 2017, respectively. The following are total revenues and expenses:

	2018	2017
Catastrophic insurance premiums	\$ 758,471	\$ 763,307
Catastrophic medical and rehabilitation insurance expense	758,992	758,768
Net revenue (expense)	\$ (521)	\$ 4,539

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 2018 and 2017 were \$141,331 and \$137,712, 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 \$114,007 and \$93,855 for 2018 and 2017, 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 \$4,170, plus overages, through January 2021. This lease resulted in the following commitment:

Year ending June 30,	
2019	\$ 50,040
2020	50,040
2021	<u>25,020</u>
	<u>\$ 125,100</u>

Lease expense under the above lease totaled \$51,291 for each of the years ended June 30, 2018, and 2017.

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, 2018 and 2017

	2018		2017	
	Revenues	Expenses	Revenues	Expenses
Scholar Bowl	\$ 26,631	\$ 38,563	\$ 27,317	\$ 38,441
Baseball	391,685	214,204	427,576	211,946
Basketball, Boys and Girls	1,627,081	896,752	1,699,459	853,985
Cross Country, Boys and Girls	101,904	93,858	101,848	83,998
Cheerleading	37,855	30,775	36,295	27,875
Football	1,157,931	561,900	1,421,128	562,993
Golf, Boys	52,512	41,952	48,986	37,193
Golf, Girls	25,875	18,516	26,863	19,811
Music	341,367	444,624	349,576	446,475
Softball, Fall	246,036	144,556	251,358	141,797
Softball, Spring	60,633	38,553	50,978	34,160
Soccer, Boys	311,814	162,763	315,089	164,268
Soccer, Girls	199,854	126,099	190,738	122,846
Speech and Debate	42,037	36,239	39,426	39,996
Swimming, Boys	24,056	25,737	16,270	15,728
Swimming, Girls	26,831	25,744	17,368	15,078
Tennis, Boys	6,549	13,733	6,981	13,282
Tennis, Girls	7,735	12,648	7,262	13,289
Track, Boys and Girls	270,745	273,301	286,994	272,459
Volleyball	228,681	181,590	234,247	187,323
Wrestling	281,661	198,150	280,374	196,601
Tournaments General Expenses	-	21,083	-	15,438
Total	\$ 5,469,473	\$ 3,601,340	\$ 5,836,133	\$ 3,514,982

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

**SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION
Year Ended June 30, 2018**

	<u>Activity Administration</u>	<u>General Administration</u>	<u>Other Programs</u>	<u>Eligibility Interpretations</u>	<u>Total 2018</u>	<u>Total 2017</u>
Association administration	\$ 33,870	\$ 200,398	\$ 36,693	\$ 11,290	\$ 282,251	\$ 277,906
Officials administration	-	-	183,462	-	183,462	168,471
Tournaments	3,601,340	-	-	-	3,601,340	3,514,982
Other programs	-	-	4,960	-	4,960	12,868
National Federation materials	-	-	167,240	-	167,240	171,185
Printing and publications	31,984	10,661	7,996	2,665	53,306	46,151
Salaries and benefits	809,409	1,264,702	252,940	202,352	2,529,403	2,488,454
Depreciation and amortization	69,033	107,864	21,573	17,258	215,728	188,677
Building and grounds	-	70,900	-	-	70,900	64,506
Utilities	21,745	33,976	6,795	5,436	67,952	79,785
Telephone	9,053	14,146	2,829	2,264	28,292	25,202
Postage and shipping	50,224	16,741	12,556	4,185	83,706	81,881
Office supplies	-	14,510	-	-	14,510	11,837
Equipment lease, repair and maintenance	-	119,807	-	-	119,807	115,156
Professional services	-	25,064	-	225,572	250,636	259,833
General and liability insurance	-	152,544	-	-	152,544	114,089
Music materials and awards	59,620	-	-	-	59,620	33,797
Dues and subscriptions	-	2,915	-	-	2,915	2,340
Other	-	117,985	-	-	117,985	22,587
Total expenses	\$ 4,686,278	\$ 2,152,213	\$ 697,044	\$ 471,022	\$ 8,006,557	\$ 7,679,707

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

**SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION
Year Ended June 30, 2017**

	Activity Administration	General Administration	Other Programs	Eligibility Interpretations	Total 2017
Association administration	\$ 33,349	\$ 197,313	\$ 36,128	\$ 11,116	\$ 277,906
Officials administration	-	-	168,471	-	168,471
Tournaments	3,514,982	-	-	-	3,514,982
Other programs	-	-	12,868	-	12,868
National Federation materials	-	-	171,185	-	171,185
Printing and publications	27,691	9,230	6,923	2,308	46,151
Salaries and benefits	796,305	1,244,227	248,846	199,076	2,488,454
Depreciation and amortization	60,377	94,339	18,868	15,093	188,677
Building and grounds	-	64,506	-	-	64,506
Utilities	25,531	39,893	7,979	6,382	79,785
Telephone	8,064	12,601	2,520	2,016	25,202
Postage and shipping	49,129	16,376	12,282	4,094	81,881
Office supplies	-	11,837	-	-	11,837
Equipment lease, repair and maintenance	-	115,156	-	-	115,156
Professional services	-	25,983	-	233,850	259,833
General and liability insurance	-	114,089	-	-	114,089
Music materials and awards	33,797	-	-	-	33,797
Dues and subscriptions	-	2,340	-	-	2,340
Other	-	22,587	-	-	22,587
Total expenses	\$ 4,549,225	\$ 1,970,477	\$ 686,070	\$ 473,935	\$ 7,679,707