

**REPORT OF**  
**MISSOURI STATE HIGH SCHOOL**  
**ACTIVITIES ASSOCIATION**  
**JUNE 30, 2010 and 2009**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Missouri State High School Activities Association (the Association) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri State High School Activities Association as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 8 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Williams - Keepers LLC*

January 20, 2011

**MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 741,299	\$ 27,320
Certificates of deposit	633,697	1,774,395
Accounts receivable	393,540	567,884
Prepaid expenses	102,104	220,077
Total current assets	<u>1,870,640</u>	<u>2,589,676</u>
<b>PROPERTY, BUILDING AND EQUIPMENT</b>		
Land	429,806	429,806
Building	3,674,500	3,576,154
Vehicles, furniture and equipment	951,455	875,745
Computer software and web page	1,004,865	737,414
Total property, building and equipment	<u>6,060,626</u>	<u>5,619,119</u>
Less: accumulated depreciation	<u>1,877,525</u>	<u>1,619,031</u>
Net property, building and equipment	<u>4,183,101</u>	<u>4,000,088</u>
Total assets	<u>\$ 6,053,741</u>	<u>\$ 6,589,764</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 305,654	\$ 152,791
Deferred revenue	299,299	218,362
Accrued leave liability	63,304	81,903
Total current liabilities	<u>668,257</u>	<u>453,056</u>
<b>NET ASSETS</b>	<u>5,385,484</u>	<u>6,136,708</u>
Total liabilities and net assets	<u>\$ 6,053,741</u>	<u>\$ 6,589,764</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, 2010 and 2009**

	2010	2009
<b>REVENUES</b>		
Tournaments	\$ 4,606,721	\$ 4,283,155
Activity and tournament registration fees	658,610	659,035
Officials registration fees and penalties	361,590	337,958
Royalties and rights fees	207,685	196,270
Sponsorships and contributions, net of expenses of \$84,808 for 2010 and \$87,845 for 2009	325,642	281,705
Sales of rule books, officials emblems, etc.	87,979	92,744
Interest revenue	12,248	42,045
Other programs	119,417	110,020
Reimbursements	25,396	51,433
Preseason scrimmages	22,183	18,952
Rent	8,050	8,050
Catastrophic insurance premiums, net of expenses	(59,854)	(87,457)
Other	32,943	28,835
Total revenues	6,408,610	6,022,745
<b>FUNCTIONAL EXPENSES</b>		
Activity administration	4,435,621	4,311,763
General administration	1,647,441	1,616,743
Other programs	743,876	709,664
Eligibility interpretations	332,896	327,633
Total expenses	7,159,834	6,965,803
Decrease in net assets	(751,224)	(943,058)
Net assets, beginning of year	6,136,708	7,079,766
Net assets, end of year	\$ 5,385,484	\$ 6,136,708

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, 2010 and 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Decrease) in net assets	\$ (751,224)	\$ (943,058)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	310,324	270,639
Loss on disposal of property and equipment	-	15,299
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable	174,342	2,418
Prepaid expenses	117,973	(105,850)
Accounts payable	152,862	(2,053)
Deferred revenue	80,937	2,781
Accrued leave liability	(18,599)	24,829
Accrued interest payable	-	(4,354)
Net cash provided (used) by operating activities	66,615	(739,349)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in certificates of deposits	1,140,698	(3,484)
Purchase of and additions to building and equipment	(493,334)	(295,010)
Net cash provided (used) by investing activities	647,364	(298,494)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of long-term debt	-	(925,000)
Decrease in debt service reserve fund	-	256,343
Net cash (used) by financing activities	-	(668,657)
Net increase (decrease) in cash and cash equivalents	713,979	(1,706,500)
Cash and cash equivalents, beginning of year	27,320	1,733,820
Cash and cash equivalents, end of year	\$ 741,299	\$ 27,320
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Cash paid for interest	\$ -	\$ 43,683

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 the 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 allowance for uncollectible accounts receivable and the useful lives of building and equipment.

*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, 2010 and 2009 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 and equipment:

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. The Association's tax returns are subject to examination by the Internal Revenue Service (IRS). Open tax years subject to IRS examination as of June 30, 2010, are 2007 through 2010. Any interest or penalties incurred related to income tax filings are reported within activity administration in the statements of activities.

*Subsequent Events:* As part of considering whether events that occurred after June 30, 2010 should be accounted for and disclosed in the financial statements, the Association's management has reviewed subsequent events up until the issuance of the accompanying financial statements, which occurred on January 20, 2011.

## 2. LONG-TERM DEBT

During the year ended June 30, 2009, the Association paid off its loan with the Industrial Development Authority (IDA) of Boone County, Missouri in advance of the scheduled maturities. Interest expense for the loan was \$39,329 for the year ended June 30, 2009.

## 3. CATASTROPHIC INSURANCE PREMIUMS

Member schools are billed for catastrophic medical and rehabilitation insurance. Member schools paid \$4.99 and \$3.75 per student athlete for insurance in 2010 and 2009, respectively. The following are total revenues and expenses:

	2010	2009
Catastrophic insurance premiums	\$ 659,016	\$ 595,360
Catastrophic medical and rehabilitation insurance expense	718,870	682,817
Net expense	<u>\$ (59,854)</u>	<u>\$ (87,457)</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 2010 and 2009 were \$85,093 and \$81,931, respectively.

Some additional non-certified employees who were at least 21 years of age and had been employed by the Association for at least 2 years were covered by a money purchase plan retirement plan which was established in 1985. The Association terminated the money purchase plan effective December 31, 2008, and transferred all assets to a 401(k) plan established effective January 1, 2009. All fulltime employees are eligible for participation in the 401(k) plan effective with their hire date. Employees are vested in the plan immediately. The Association's contributions to these retirement plans for 2010 and 2009 were \$49,574 and \$43,379, 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. 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, 2010 and 2009**

	2010		2009	
	Revenues	Expenses	Revenues	Expenses
Academic Competition	\$ 19,797	\$ 26,466	\$ 18,030	\$ 27,176
Baseball	200,215	162,384	208,367	169,041
Basketball, Boys and Girls	1,562,860	1,085,362	1,589,995	1,055,820
Cross country, Boys and Girls	2,250	42,427	1,940	40,585
Cheerleading	17,285	14,172	13,295	14,061
Football	1,441,974	741,455	1,100,333	718,425
Golf, Boys	15,950	8,126	14,359	9,378
Golf, Girls	6,675	4,860	7,388	4,710
Music	229,250	322,434	221,869	290,035
Softball	136,737	145,831	158,325	143,858
Soccer, Boys	225,308	137,600	190,401	136,745
Soccer, Girls	122,790	103,949	128,108	104,529
Speech and Debate	31,446	34,185	29,465	31,537
Swimming, Boys	16,320	12,115	18,950	14,533
Swimming, Girls	15,496	14,909	17,602	12,604
Tennis, Boys	6,427	11,981	5,802	8,102
Tennis, Girls	5,134	9,875	5,308	11,245
Track, Boys and Girls	149,675	189,083	156,200	180,883
Volleyball	163,083	227,174	158,302	214,555
Water Polo	-	-	-	72
Wrestling	238,049	194,419	239,116	186,543
Total tournament revenue	<u>\$ 4,606,721</u>	<u>\$ 3,488,807</u>	<u>\$ 4,283,155</u>	<u>\$ 3,374,437</u>

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

Year Ended June 30, 2010

	Activity Administration	General Administration	Other Programs	Eligibility Interpretations	Total 2010	(Memo) 2009
Association administration	\$ 29,773	\$ 176,153	\$ 32,253	\$ 9,924	\$ 248,103	\$ 257,947
Officials administration	-	-	162,114	-	162,114	160,538
Tournaments	3,488,807	-	-	-	3,488,807	3,374,437
Other programs	-	-	91,472	-	91,472	92,908
National Federation materials	-	-	197,767	-	197,767	167,679
Printing and publications	39,042	13,014	9,760	3,253	65,069	66,112
Salaries and benefits	626,601	979,065	195,813	156,650	1,958,129	1,890,481
Depreciation and amortization	99,304	155,162	31,032	24,826	310,324	270,639
Building and grounds	-	30,773	-	-	30,773	53,733
Sport first aid	29,111	-	-	-	29,111	33,252
Utilities	16,411	25,643	5,129	4,103	51,286	49,773
Telephone	12,464	19,476	3,895	3,116	38,951	33,189
Postage and shipping	58,562	19,521	14,641	4,880	97,604	111,653
Office supplies	-	15,574	-	-	15,574	15,421
Equipment repair and maintenance	-	42,158	-	-	42,158	32,691
Professional services	-	14,016	-	126,144	140,160	139,727
General and liability insurance	-	86,522	-	-	86,522	75,869
Music materials and awards	35,546	-	-	-	35,546	35,771
Dues and subscriptions	-	2,343	-	-	2,343	2,859
Interest expense	-	-	-	-	-	39,329
Other	-	68,021	-	-	68,021	61,794
Total expenses	\$ 4,435,621	\$ 1,647,441	\$ 743,876	\$ 332,896	\$ 7,159,834	\$ 6,965,803

**MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION**

**SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION**

Year Ended June 30, 2009

	Activity Administration	General Administration	Other Programs	Eligibility Interpretations	Total 2009
Association administration	\$ 30,954	\$ 183,142	\$ 33,533	\$ 10,318	\$ 257,947
Officials administration	-	-	160,538	-	160,538
Tournaments	3,374,437	-	-	-	3,374,437
Other programs	-	-	92,908	-	92,908
National Federation materials	-	-	167,679	-	167,679
Printing and publications	39,667	13,222	9,917	3,306	66,112
Salaries and benefits	604,954	945,241	189,048	151,238	1,890,481
Depreciation and amortization	86,604	135,320	27,064	21,651	270,639
Building and grounds	-	53,733	-	-	53,733
Sport first aid	33,252	-	-	-	33,252
Utilities	15,927	24,887	4,977	3,982	49,773
Telephone	10,620	16,595	3,319	2,655	33,189
Postage and shipping	66,992	22,331	16,748	5,583	111,653
Office supplies	-	15,421	-	-	15,421
Equipment repair and maintenance	-	32,691	-	-	32,691
Professional services	-	13,973	-	125,754	139,727
General and liability insurance	-	75,869	-	-	75,869
Music materials and awards	35,771	-	-	-	35,771
Dues and subscriptions	-	2,859	-	-	2,859
Interest expense	12,585	19,665	3,933	3,146	39,329
Other	-	61,794	-	-	61,794
<b>Total expenses</b>	<b>\$ 4,311,763</b>	<b>\$ 1,616,743</b>	<b>\$ 709,664</b>	<b>\$ 327,633</b>	<b>\$ 6,965,803</b>