

REPORT OF
MISSOURI STATE HIGH SCHOOL
ACTIVITIES ASSOCIATION
JUNE 30, 2012 and 2011

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, 2012 and 2011, 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, 2012 and 2011, 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 conducted for the purpose of forming an opinion on the basic financial statements 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 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 audit 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 Keepers LLC

September 3, 2012

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 176,996	\$ 306,401
Certificates of deposit	234,322	433,971
Accounts receivable	512,238	648,375
Prepaid expenses	210,437	129,734
Total current assets	1,133,993	1,518,481
PROPERTY, BUILDING AND EQUIPMENT		
Land	429,806	429,806
Building	3,740,748	3,740,748
Vehicles, furniture and equipment	788,127	792,075
Computer software and web page	1,277,056	1,192,393
Total property, building and equipment	6,235,737	6,155,022
Less: accumulated depreciation	2,471,820	2,088,356
Net property, building and equipment	3,763,917	4,066,666
Total assets	\$ 4,897,910	\$ 5,585,147
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 207,737	\$ 214,175
Deferred revenue	356,131	354,547
Accrued leave liability	56,067	63,206
Total current liabilities	619,935	631,928
NET ASSETS	4,277,975	4,953,219
Total liabilities and net assets	\$ 4,897,910	\$ 5,585,147

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, 2012 and 2011

	2012	2011
REVENUES		
Tournaments	\$ 4,548,670	\$ 4,850,782
Activity and tournament registration fees	668,025	654,178
Officials registration fees and penalties	421,983	437,043
Royalties and rights fees	206,410	196,137
Sponsorships and contributions, net of expenses of \$69,319 for 2012 and \$85,309 for 2011	393,121	420,941
Sales of rule books, officials emblems, etc.	84,893	89,988
Other programs	80,412	70,470
Penalties	47,059	47,501
Catastrophic insurance premiums, net of expenses	(2,965)	(4,569)
Rent	8,050	8,050
Interest revenue	1,669	3,900
Other	1,422	8,308
Total revenues	6,458,749	6,782,729
FUNCTIONAL EXPENSES		
Activity administration	4,383,807	4,413,445
General administration	1,713,993	1,730,601
Other programs	650,114	697,642
Eligibility interpretations	386,079	373,306
Total expenses	7,133,993	7,214,994
Decrease in net assets	(675,244)	(432,265)
Net assets, beginning of year	4,953,219	5,385,484
Net assets, end of year	\$ 4,277,975	\$ 4,953,219

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, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) in net assets	\$ (675,244)	\$ (432,265)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	406,886	386,195
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable	136,137	(254,837)
Prepaid expenses	(80,703)	(27,630)
Accounts payable	(6,439)	(91,478)
Deferred revenue	1,584	55,248
Accrued leave liability	(7,139)	(98)
Net cash (used) by operating activities	(220,752)	(364,865)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in certificates of deposits	199,649	199,726
Purchase of and additions to building and equipment	(108,302)	(269,759)
Net cash provided (used) by investing activities	91,347	(70,033)
Net (decrease) in cash and cash equivalents	(129,405)	(434,898)
Cash and cash equivalents, beginning of year	306,401	741,299
Cash and cash equivalents, end of year	\$ 176,996	\$ 306,401

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 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, 2012 and 2011 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, 2012, are 2009 through 2012. Any interest or penalties incurred related to income tax filings are reported within activity administration in the statements of activities.

Subsequent Events: Events that have occurred subsequent to June 30, 2012 have been evaluated for purposes of disclosure and accounting in the financial statements through September 3, 2012.

2. CATASTROPHIC INSURANCE PREMIUMS

Member schools are billed for catastrophic medical and rehabilitation insurance. Member schools paid \$4.95 and \$5.03 per student athlete for insurance in 2012 and 2011, respectively. The following are total revenues and expenses:

	2012	2011
Catastrophic insurance premiums	\$ 720,103	\$ 716,488
Catastrophic medical and rehabilitation insurance expense	723,068	721,057
Net expense	<u>\$ (2,965)</u>	<u>\$ (4,569)</u>

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 2012 and 2011 were \$111,681 and \$101,352, 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 \$97,363 and \$77,133 for 2012 and 2011, 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. 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, 2012 and 2011

	2012		2011	
	Revenues	Expenses	Revenues	Expenses
Academic Competition	\$ 17,524	\$ 31,543	\$ 18,171	\$ 31,013
Baseball	291,357	182,225	234,894	169,310
Basketball, Boys and Girls	1,475,753	979,459	1,604,557	988,098
Cross Country, Boys and Girls	41,326	60,730	2,327	53,410
Cheerleading	20,485	10,742	15,225	13,565
Football	1,206,937	702,392	1,436,695	764,149
Golf, Boys	41,911	35,114	16,784	10,917
Golf, Girls	19,405	16,149	8,996	5,473
Music	223,609	332,038	221,854	317,179
Softball	215,504	148,354	225,069	153,027
Soccer, Boys	170,841	120,670	274,818	149,192
Soccer, Girls	159,463	109,449	159,536	115,345
Speech and Debate	28,850	37,390	28,714	34,774
Swimming, Boys	17,412	14,254	17,484	12,519
Swimming, Girls	15,828	14,279	15,175	13,755
Tennis, Boys	5,951	14,701	6,065	12,928
Tennis, Girls	6,108	13,195	6,511	12,756
Track, Boys and Girls	165,574	184,577	135,917	184,635
Volleyball	184,805	216,360	182,843	206,711
Wrestling	240,027	200,445	239,147	199,511
Total tournament revenue	<u>\$ 4,548,670</u>	<u>\$ 3,424,066</u>	<u>\$ 4,850,782</u>	<u>\$ 3,448,267</u>

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

Year Ended June 30, 2012

	Activity Administration	General Administration	Other Programs	Eligibility Interpretations	Total 2012	Total 2011
Association administration	\$ 25,093	\$ 148,467	\$ 27,184	\$ 8,364	\$ 209,108	\$ 235,300
Officials administration	-	-	161,735	-	161,735	179,282
Tournaments	3,424,066	-	-	-	3,424,066	3,448,267
Other programs	-	-	16,085	-	16,085	38,978
National Federation materials	-	-	168,581	-	168,581	172,446
Printing and publications	21,860	7,287	5,465	1,822	36,434	42,048
Salaries and benefits	667,848	1,043,512	208,702	166,962	2,087,024	2,078,041
Depreciation and amortization	130,204	203,443	40,689	32,550	406,886	386,194
Building and grounds	-	27,104	-	-	27,104	35,098
Utilities	16,562	25,878	5,176	4,140	51,756	55,034
Telephone	11,537	18,027	3,605	2,885	36,054	39,256
Postage and shipping	51,566	17,189	12,892	4,297	85,944	94,585
Office supplies	-	10,470	-	-	10,470	11,062
Equipment repair and maintenance	-	92,813	-	-	92,813	84,756
Professional services	-	18,340	-	165,059	183,399	169,312
General and liability insurance	-	81,812	-	-	81,812	78,860
Music materials and awards	35,071	-	-	-	35,071	36,234
Dues and subscriptions	-	1,612	-	-	1,612	1,636
Other	-	18,039	-	-	18,039	28,605
Total expenses	\$ 4,383,807	\$ 1,713,993	\$ 650,114	\$ 386,079	\$ 7,133,993	\$ 7,214,994

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION
Year Ended June 30, 2011

	Activity		General		Eligibility		Total
	Administration	Administration	Administration	Other Programs	Interpretations	Interpretations	2011
	\$	\$	\$	\$	\$	\$	\$
Association administration	-	28,236	167,063	30,589	9,412	235,300	
Officials administration	-	-	-	179,282	-	179,282	
Tournaments	3,448,267	-	-	-	-	3,448,267	
Other programs	-	-	-	38,978	-	38,978	
National Federation materials	-	-	-	172,446	-	172,446	
Printing and publications	25,229	8,410	8,410	6,307	2,102	42,048	
Salaries and benefits	664,973	1,039,021	1,039,021	207,804	166,243	2,078,041	
Depreciation and amortization	123,582	193,097	193,097	38,619	30,896	386,194	
Building and grounds	-	35,098	35,098	-	-	35,098	
Utilities	17,611	27,517	27,517	5,503	4,403	55,034	
Telephone	12,562	19,628	19,628	3,926	3,140	39,256	
Postage and shipping	56,751	18,917	18,917	14,188	4,729	94,585	
Office supplies	-	11,062	11,062	-	-	11,062	
Equipment repair and maintenance	-	84,756	84,756	-	-	84,756	
Professional services	-	16,931	16,931	-	152,381	169,312	
General and liability insurance	-	78,860	78,860	-	-	78,860	
Music materials and awards	36,234	-	-	-	-	36,234	
Dues and subscriptions	-	1,636	1,636	-	-	1,636	
Other	-	28,605	28,605	-	-	28,605	
Total expenses	\$ 4,413,445	\$ 1,730,601	\$ 1,730,601	\$ 697,642	\$ 373,306	\$ 7,214,994	