

REPORT OF
MISSOURI STATE HIGH SCHOOL
ACTIVITIES ASSOCIATION
JUNE 30, 2014 and 2013



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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, 2014 and 2013, 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, 2014 and 2013, 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 taken 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 taken as a whole.

William - Keefe LLC

September 4, 2014

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 232,195	\$ 221,193
Certificates of deposit	134,794	134,636
Accounts receivable	654,639	710,672
Prepaid expenses	<u>505,502</u>	<u>140,298</u>
Total current assets	<u>1,527,130</u>	<u>1,206,799</u>
PROPERTY, BUILDING AND EQUIPMENT		
Land	429,806	429,806
Building	3,740,748	3,740,748
Vehicles, furniture and equipment	830,529	808,702
Computer software and web page	<u>1,310,909</u>	<u>1,289,780</u>
Total property, building and equipment	6,311,992	6,269,036
Less: accumulated depreciation	<u>3,085,113</u>	<u>2,812,211</u>
Net property, building and equipment	<u>3,226,879</u>	<u>3,456,825</u>
Total assets	<u>\$ 4,754,009</u>	<u>\$ 4,663,624</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 215,868	\$ 148,178
Deferred revenue	501,382	371,883
Accrued leave liability	<u>64,355</u>	<u>66,603</u>
Total current liabilities	781,605	586,664
NET ASSETS	<u>3,972,404</u>	<u>4,076,960</u>
Total liabilities and net assets	<u>\$ 4,754,009</u>	<u>\$ 4,663,624</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, 2014 and 2013

	2014	2013
REVENUES		
Tournaments	\$ 4,564,637	\$ 4,797,926
Activity and tournament registration fees	1,029,880	673,780
Officials registration fees and penalties	416,205	421,649
Royalties and rights fees	249,695	214,749
Sponsorships, net of expenses of \$86,926 for 2014 and \$78,422 for 2013	491,791	491,878
Sales of rule books, officials emblems, etc.	97,969	90,203
Other programs	63,742	61,267
Penalties	52,011	40,747
Catastrophic insurance premiums, net of expenses	4,480	(10,043)
Rent	9,750	8,900
Interest revenue	237	315
Other	1,801	5,500
Total revenues	6,982,198	6,796,871
FUNCTIONAL EXPENSES		
Activity administration	4,229,796	4,165,147
General administration	1,792,158	1,772,134
Other programs	681,195	659,060
Eligibility interpretations	383,605	401,545
Total expenses	7,086,754	6,997,886
Decrease in net assets	(104,556)	(201,015)
Net assets, beginning of year	4,076,960	4,277,975
Net assets, end of year	\$ 3,972,404	\$ 4,076,960

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, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) in net assets	\$ (104,556)	\$ (201,015)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	283,968	340,390
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable	56,033	(198,434)
Prepaid expenses	(365,204)	70,139
Accounts payable	67,690	(59,559)
Deferred revenue	129,499	15,752
Accrued leave liability	(2,248)	10,536
Net cash provided (used) by operating activities	65,182	(22,191)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in certificates of deposits	(158)	99,686
Purchase of and additions to building and equipment	(54,022)	(33,298)
Net cash provided (used) by investing activities	(54,180)	66,388
Net increase in cash and cash equivalents	11,002	44,197
Cash and cash equivalents, beginning of year	221,193	176,996
Cash and cash equivalents, end of year	\$ 232,195	\$ 221,193

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, 2014 and 2013 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. 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, 2014, are 2011 through 2014. Any interest or penalties incurred related to income tax filings are reported within activity administration in the Statement of Activities.

Subsequent Events: Events that have occurred subsequent to June 30, 2014 have been evaluated for purposes of disclosure and accounting in the financial statements through September 4, 2014.

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 2014 and 2013. The following are total revenues and expenses:

	2014	2013
Catastrophic insurance premiums	\$ 723,199	\$ 719,642
Catastrophic medical and rehabilitation insurance expense	718,719	729,685
Net revenue (expense)	<u>\$ 4,480</u>	<u>\$ (10,043)</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 2014 and 2013 were \$116,902 and \$114,019, 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 \$91,869 and \$88,683 for 2014 and 2013, 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,	
2015	\$ 42,684
2016	42,684
2017	42,684
2018	<u>14,228</u>
	<u>\$ 142,280</u>

Lease expense under the above lease was \$49,718 and \$30,562 for the years ended June 30, 2014, and 2013, 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, 2014 and 2013

	2014		2013	
	Revenues	Expenses	Revenues	Expenses
Scholar Bowl	\$ 25,663	\$ 38,548	\$ 27,420	\$ 41,057
Baseball	335,886	188,654	308,392	186,690
Basketball, Boys and Girls	1,446,168	834,127	1,512,280	825,171
Cross Country, Boys and Girls	43,566	65,624	37,221	58,445
Cheerleading	28,340	18,100	26,820	17,992
Football	1,014,389	615,377	1,248,202	653,404
Golf, Boys	40,871	32,962	41,205	33,875
Golf, Girls	23,975	20,790	23,791	20,952
Music	345,624	424,786	324,343	387,547
Softball, Fall	210,564	139,088	207,641	139,175
Softball, Spring	28,709	28,108	-	-
Soccer, Boys	177,817	102,424	202,104	105,669
Soccer, Girls	157,426	95,934	153,398	94,544
Speech and Debate	43,516	41,300	44,392	44,298
Swimming, Boys	15,098	15,381	16,430	14,837
Swimming, Girls	15,038	15,188	14,495	14,731
Tennis, Boys	5,995	13,418	6,235	15,352
Tennis, Girls	5,920	12,476	6,341	13,318
Track, Boys and Girls	174,234	194,379	169,225	176,014
Volleyball	190,158	167,079	181,949	168,813
Wrestling	235,571	185,843	246,042	192,549
Tournaments General Expenses	110	11,158	-	4,297
Total tournament revenue	<u>\$ 4,564,637</u>	<u>\$ 3,260,744</u>	<u>\$ 4,797,926</u>	<u>\$ 3,208,730</u>

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

Year Ended June 30, 2014

	<u>Activity Administration</u>	<u>General Administration</u>	<u>Other Programs</u>	<u>Eligibility Interpretations</u>	<u>Total 2014</u>	<u>Total 2013</u>
Association administration	\$ 29,008	\$ 171,630	\$ 31,425	\$ 9,670	\$ 241,733	\$ 245,340
Officials administration	-	-	177,720	-	177,720	176,721
Tournaments	3,260,744	-	-	-	3,260,744	3,208,730
Other programs	-	-	19,564	-	19,564	10,137
National Federation materials	-	-	175,341	-	175,341	167,430
Printing and publications	37,703	12,568	9,426	3,142	62,839	35,638
Salaries and benefits	696,811	1,088,767	217,753	174,202	2,177,533	2,114,331
Depreciation and amortization	90,870	141,984	28,397	22,717	283,968	340,390
Building and grounds	-	45,194	-	-	45,194	46,445
Utilities	16,598	25,935	5,187	4,149	51,869	53,580
Telephone	11,626	18,168	3,634	2,907	36,335	37,057
Postage and shipping	50,992	16,997	12,748	4,249	84,986	86,639
Office supplies	-	11,668	-	-	11,668	10,546
Equipment lease, repair and maintenance	-	103,826	-	-	103,826	94,077
Professional services	-	18,063	-	162,569	180,632	202,211
General and liability insurance	-	81,380	-	-	81,380	81,797
Music materials and awards	35,444	-	-	-	35,444	39,096
Dues and subscriptions	-	2,614	-	-	2,614	1,961
Other	-	53,364	-	-	53,364	45,760
Total expenses	\$ 4,229,796	\$ 1,792,158	\$ 681,195	\$ 383,605	\$ 7,086,754	\$ 6,997,886

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

Year Ended June 30, 2013

	<u>Activity Administration</u>	<u>General Administration</u>	<u>Other Programs</u>	<u>Eligibility Interpretations</u>	<u>Total 2013</u>
Association administration	\$ 29,441	\$ 174,191	\$ 31,894	\$ 9,814	\$ 245,340
Officials administration	-	-	176,721	-	176,721
Tournaments	3,208,730	-	-	-	3,208,730
Other programs	-	-	10,137	-	10,137
National Federation materials	-	-	167,430	-	167,430
Printing and publications	21,383	7,128	5,346	1,782	35,638
Salaries and benefits	676,586	1,057,166	211,433	169,146	2,114,331
Depreciation and amortization	108,925	170,195	34,039	27,230	340,390
Building and grounds	-	46,445	-	-	46,445
Utilities	17,146	26,790	5,358	4,286	53,580
Telephone	11,857	18,529	3,706	2,965	37,057
Postage and shipping	51,983	17,328	12,996	4,332	86,639
Office supplies	-	10,546	-	-	10,546
Equipment repair and maintenance	-	94,077	-	-	94,077
Professional services	-	20,221	-	181,990	202,211
General and liability insurance	-	81,797	-	-	81,797
Music materials and awards	39,096	-	-	-	39,096
Dues and subscriptions	-	1,961	-	-	1,961
Other	-	45,760	-	-	45,760
Total expenses	\$ 4,165,147	\$ 1,772,134	\$ 659,060	\$ 401,545	\$ 6,997,886