

REPORT OF
MISSOURI STATE HIGH SCHOOL
ACTIVITIES ASSOCIATION
JUNE 30, 2015 AND 2014



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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, 2015 and 2014, 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, 2015 and 2014, 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 - Keepers LLC

September 3, 2015

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 470,326	\$ 232,195
Certificates of deposit	134,951	134,794
Accounts receivable	870,712	654,639
Prepaid expenses	143,744	505,502
Total current assets	<u>1,619,733</u>	<u>1,527,130</u>
PROPERTY, BUILDING AND EQUIPMENT		
Land	429,806	429,806
Building	3,779,574	3,740,748
Vehicles, furniture and equipment	914,094	830,529
Computer software and web page	1,333,452	1,310,909
Total property, building and equipment	6,456,926	6,311,992
Less: accumulated depreciation	<u>3,289,788</u>	<u>3,085,113</u>
Net property, building and equipment	<u>3,167,138</u>	<u>3,226,879</u>
Total assets	<u>\$ 4,786,871</u>	<u>\$ 4,754,009</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 236,409	\$ 215,868
Deferred revenue	467,113	501,382
Accrued leave liability	75,146	64,355
Total current liabilities	778,668	781,605
NET ASSETS	<u>4,008,203</u>	<u>3,972,404</u>
Total liabilities and net assets	<u>\$ 4,786,871</u>	<u>\$ 4,754,009</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, 2015 and 2014

	2015	2014
REVENUES		
Tournaments	\$ 4,623,665	\$ 4,564,637
Activity and tournament registration fees	1,044,780	1,029,880
Officials registration fees and penalties	466,163	416,205
Royalties and rights fees	257,180	249,695
Sponsorships, net of expenses of \$93,335 for 2015 and \$86,926 for 2014	577,565	491,791
Sales of rule books, officials emblems, etc.	108,361	97,969
Other programs	53,326	63,742
Penalties	53,188	52,011
Catastrophic insurance premiums, net of expenses	(18,588)	4,480
Rent	9,750	9,750
Interest revenue	80	237
Other	33,170	1,801
Total revenues	7,208,640	6,982,198
FUNCTIONAL EXPENSES		
Activity administration	4,313,638	4,229,796
General administration	1,815,985	1,792,158
Other programs	648,182	681,195
Eligibility interpretations	395,036	383,605
Total expenses	7,172,841	7,086,754
Increase (decrease) in net assets	35,799	(104,556)
Net assets, beginning of year	3,972,404	4,076,960
Net assets, end of year	\$ 4,008,203	\$ 3,972,404

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, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 35,799	\$ (104,556)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	256,634	283,968
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable	(216,073)	56,033
Prepaid expenses	361,758	(365,204)
Accounts payable	20,541	67,690
Deferred revenue	(34,269)	129,499
Accrued leave liability	10,791	(2,248)
Net cash provided by operating activities	435,181	65,182
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in certificates of deposits	(157)	(158)
Purchase of and additions to building and equipment	(196,893)	(54,022)
Net cash used by investing activities	(197,050)	(54,180)
Net increase in cash and cash equivalents	238,131	11,002
Cash and cash equivalents, beginning of year	232,195	221,193
Cash and cash equivalents, end of year	\$ 470,326	\$ 232,195

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, 2015 and 2014 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, 2015 have been evaluated for purposes of disclosure and accounting in the financial statements through September 3, 2015.

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 2015 and 2014. The following are total revenues and expenses:

	2015	2014
Catastrophic insurance premiums	\$ 724,675	\$ 723,199
Catastrophic medical and rehabilitation insurance expense	743,263	718,719
Net revenue (expense)	<u>\$ (18,588)</u>	<u>\$ 4,480</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 2015 and 2014 were \$119,462 and \$116,902, 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 \$99,713 and \$91,869 for 2015 and 2014, 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,		
2016	\$	42,684
2017		42,684
2018		<u>14,228</u>
	\$	<u>99,596</u>

Lease expense under the above lease was \$46,479 and \$49,718 for the years ended June 30, 2015, and 2014, 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, 2015 and 2014

	2015		2014	
	Revenues	Expenses	Revenues	Expenses
Scholar Bowl	\$ 26,815	\$ 42,111	\$ 25,663	\$ 38,548
Baseball	331,229	195,437	335,886	188,654
Basketball, Boys and Girls	1,498,417	816,914	1,446,168	834,127
Cross Country, Boys and Girls	43,218	71,779	43,566	65,624
Cheerleading	31,855	9,750	28,340	18,100
Football	952,423	597,611	1,014,389	615,377
Golf, Boys	44,497	36,680	40,871	32,962
Golf, Girls	20,268	17,830	23,975	20,790
Music	358,042	422,810	345,624	424,786
Softball, Fall	172,117	133,043	210,564	139,088
Softball, Spring	44,282	34,396	28,709	28,108
Soccer, Boys	221,573	119,453	177,817	102,424
Soccer, Girls	167,856	110,889	157,426	95,934
Speech and Debate	43,701	40,994	43,516	41,300
Swimming, Boys	15,384	15,425	15,098	15,381
Swimming, Girls	14,483	15,121	15,038	15,188
Tennis, Boys	6,658	10,237	5,995	13,418
Tennis, Girls	6,683	13,489	5,920	12,476
Track, Boys and Girls	205,855	232,907	174,234	194,379
Volleyball	177,993	178,237	190,158	167,079
Wrestling	240,316	192,574	235,571	185,843
Tournaments General Expenses	-	12,819	110	11,158
Total tournament revenue	<u>\$ 4,623,665</u>	<u>\$ 3,320,506</u>	<u>\$ 4,564,637</u>	<u>\$ 3,260,744</u>

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	Total 2014
Association administration	\$ 32,605	\$ 192,914	\$ 35,322	\$ 10,869	\$ 271,710	\$ 241,733
Officials administration	-	-	161,702	-	161,702	177,720
Tournaments	3,320,506	-	-	-	3,320,506	3,260,744
Other programs	-	-	9,932	-	9,932	19,564
National Federation materials	-	-	159,134	-	159,134	175,341
Printing and publications	31,646	10,549	7,912	2,637	52,744	62,839
Salaries and benefits	722,204	1,128,445	225,689	180,551	2,256,889	2,177,533
Depreciation and amortization	82,123	128,317	25,663	20,531	256,634	283,968
Building and grounds	-	44,569	-	-	44,569	45,194
Utilities	18,452	28,832	5,766	4,613	57,663	51,869
Telephone	11,791	18,425	3,685	2,949	36,850	36,335
Postage and shipping	53,506	17,835	13,377	4,459	89,177	84,986
Office supplies	-	10,152	-	-	10,152	11,668
Equipment lease, repair and maintenance	-	108,559	-	-	108,559	103,826
Professional services	-	18,714	-	168,427	187,141	180,632
General and liability insurance	-	80,594	-	-	80,594	81,380
Music materials and awards	40,805	-	-	-	40,805	35,444
Dues and subscriptions	-	2,443	-	-	2,443	2,614
Other	-	25,637	-	-	25,637	53,364
Total expenses	<u>\$ 4,313,638</u>	<u>\$ 1,815,985</u>	<u>\$ 648,182</u>	<u>\$ 395,036</u>	<u>\$ 7,172,841</u>	<u>\$ 7,086,754</u>

MISSOURI STATE HIGH SCHOOL ACTIVITIES ASSOCIATION

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION
Year Ended June 30, 2014

	Activity	General	Other Programs	Eligibility	Total
	Administration	Administration		Interpretations	2014
Association administration	\$ 29,008	\$ 171,630	\$ 31,425	\$ 9,669	\$ 241,733
Officials administration	-	-	177,720	-	177,720
Tournaments	3,260,744	-	-	-	3,260,744
Other programs	-	-	19,564	-	19,564
National Federation materials	-	-	175,341	-	175,341
Printing and publications	37,703	12,568	9,426	3,142	62,839
Salaries and benefits	696,811	1,088,767	217,753	174,203	2,177,533
Depreciation and amortization	90,870	141,984	28,397	22,716	283,968
Building and grounds	-	45,194	-	-	45,194
Utilities	16,598	25,935	5,187	4,150	51,869
Telephone	11,626	18,168	3,634	2,907	36,335
Postage and shipping	50,992	16,997	12,748	4,249	84,986
Office supplies	-	11,668	-	-	11,668
Equipment repair and maintenance	-	103,826	-	-	103,826
Professional services	-	18,063	-	162,569	180,632
General and liability insurance	-	81,380	-	-	81,380
Music materials and awards	35,444	-	-	-	35,444
Dues and subscriptions	-	2,614	-	-	2,614
Other	-	53,364	-	-	53,364
Total expenses	\$ 4,229,796	\$ 1,792,158	\$ 681,195	\$ 383,605	\$ 7,086,754