

**New Jersey State Interscholastic
Athletic Association**

Report on Financial Statements

Years Ended June 30, 2012 and 2011

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

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Report of Independent Public Accountants

To the Executive Committee
New Jersey State Interscholastic Athletic Association

We have audited the accompanying statements of financial position of New Jersey State Interscholastic Athletic Association (the "Association", a nonprofit organization) 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 that 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 New Jersey State Interscholastic Athletic Association as of June 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Eatontown, New Jersey
October 17, 2012

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011**

<u>ASSETS</u>		
	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 1,569,407	\$ 1,404,359
Accounts receivable, net of allowance for doubtful accounts of \$6,069 and \$14,404	148,332	319,834
Prepaid expenses	<u>47,904</u>	<u>76,613</u>
Total current assets	1,765,643	1,800,806
Property and equipment, net	<u>1,406,748</u>	<u>1,503,565</u>
Total assets	<u>\$ 3,172,391</u>	<u>\$ 3,304,371</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 464,935	\$ 607,521
Deferred revenue	<u>442,575</u>	<u>398,277</u>
Total current liabilities	<u>907,510</u>	<u>1,005,798</u>
Commitments and contingencies		
Net assets - unrestricted:		
Board designated funds	220,000	220,000
Net investment in property and equipment	1,406,748	1,503,565
Operating	<u>638,133</u>	<u>575,008</u>
Total net assets - unrestricted	<u>2,264,881</u>	<u>2,298,573</u>
Total liabilities and net assets	<u>\$ 3,172,391</u>	<u>\$ 3,304,371</u>

See Notes to Financial Statements.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Revenue:		
Dues	\$ 913,950	\$ 902,700
Activities	2,775,541	2,768,915
Officials	595,182	550,269
Scholar/athlete program	55,960	54,040
Coaches association	103,440	66,992
Workshop	88,525	88,848
Interest income	15,307	3,602
Miscellaneous income	22,350	
Annual meeting	17,510	15,320
Federation rules and casebooks	46,648	31,392
Steroid testing award	50,000	50,000
Corporate funding	539,749	532,964
Total revenue	<u>5,224,162</u>	<u>5,065,042</u>
Expenses:		
Program services:		
Activities	2,275,736	2,217,686
Officials	267,723	258,129
Scholar/athlete program	64,358	60,266
Coaches association	59,693	56,870
Workshop	70,238	66,182
Steroid testing	104,000	91,660
Technology	11,880	34,373
Corporate contract / donated services	194,266	160,086
Total program services	<u>3,047,894</u>	<u>2,945,252</u>
General and administrative:		
Personnel costs:		
Payroll and related taxes	1,024,870	1,130,864
Pension plan	109,377	117,184
Hospitalization and medical	194,699	210,976
	<u>1,328,946</u>	<u>1,459,024</u>
Operational costs:		
Building maintenance	50,042	70,749
Stationery and printing	6,344	18,847
Insurance	156,941	143,243
Office supplies	12,629	25,466
Postage	31,271	38,105
Telephone	25,888	30,145
Office expenses	29,390	32,736
Automobile maintenance	23,000	19,004
Depreciation	138,886	155,962
	<u>474,391</u>	<u>534,257</u>

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Expenses (concluded):		
General and administrative (concluded):		
Outside services:		
Legal fees and expenses	\$ 189,984	\$ 166,377
Accounting and audit fees	33,392	45,361
Stenographic services	12,102	7,628
Project manager	<u>22,970</u>	<u>23,503</u>
	<u>258,448</u>	<u>242,869</u>
Other administrative and miscellaneous expenses:		
Executive committee	11,696	12,103
Advisory committee	6,610	3,489
Administrative	7,904	9,523
National Federation meetings	5,681	14,068
Federation rulebooks	71,111	55,253
Corporate Hall of Fame	18,898	23,482
Annual meeting	14,292	14,870
Membership and subscriptions	4,144	6,140
Bad debts	<u>7,839</u>	<u>8,636</u>
	<u>148,175</u>	<u>147,564</u>
Total general and administrative	<u>2,209,960</u>	<u>2,383,714</u>
Total expenses	<u>5,257,854</u>	<u>5,328,966</u>
Decrease in net assets	(33,692)	(263,924)
Net assets, beginning of year	<u>2,298,573</u>	<u>2,562,497</u>
Net assets, end of year	<u>\$ 2,264,881</u>	<u>\$ 2,298,573</u>

See Notes to Financial Statements.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Operating activities:		
Decrease in net assets	\$ (33,692)	\$ (263,924)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	138,886	155,962
Bad debts	7,839	8,636
Loss on sale of assets		474
Changes in operating assets and liabilities:		
Accounts receivable	163,663	(135,982)
Prepaid expenses	28,709	(41,944)
Accounts payable and accrued expenses	(142,586)	310,100
Deferred revenue	<u>44,298</u>	<u>63,125</u>
Net cash provided by operating activities	<u>207,117</u>	<u>96,447</u>
Investing activities:		
Proceeds from sale of property and equipment		36,872
Acquisition of property and equipment	<u>(42,069)</u>	<u>(60,605)</u>
Net cash used in investing activities	<u>(42,069)</u>	<u>(23,733)</u>
Net increase in cash and cash equivalents	165,048	72,714
Cash and cash equivalents, beginning of year	<u>1,404,359</u>	<u>1,331,645</u>
Cash and cash equivalents, end of year	<u>\$ 1,569,407</u>	<u>\$ 1,404,359</u>

See Notes to Financial Statements.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization:

New Jersey State Interscholastic Athletic Association (the "Association"), an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, was incorporated under the laws of the State of New Jersey. The Association is a voluntary organization made up of all approved public, private and parochial high schools in the State of New Jersey. These schools have been approved by the New Jersey State Department of Education as accredited secondary institutions.

The Association's purpose is to foster and administer interscholastic sports among member schools. The Association promotes participation and sportsmanship to develop good citizens through interscholastic activities which provide equitable opportunities, positive recognition and learning experiences to students while maximizing the achievement of educational goals.

Note 2 - Summary of significant accounting policies:

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk:

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Cash and cash equivalents includes all cash balances, money market funds and certificates of deposit with original maturities of three months or less when acquired. The Association places its cash and cash equivalents with high credit quality financial institutions. At times, such balances may exceed Federally insured limits.

Concentrations of credit risk with respect to accounts receivable are limited due to the number of supporters comprising the Association's support base and generally short payment terms. In addition, the Association routinely assesses the financial strength of its supporters and establishes an allowance for doubtful accounts based on a history of past write-offs and collections and current credit considerations. The Association had one major supporter that accounted for approximately 14% of total accounts receivable at June 30, 2012 and two major supporters that accounted for approximately 36% of total accounts receivable at June 30, 2011.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

Accounts receivable:

Accounts receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Association estimates doubtful accounts based on historical bad debts, factors related to specific individual's ability to pay, and current economic trends.

Property and equipment:

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures which substantially increase estimated useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in change in net assets.

The Association reviews long-lived assets for impairment using an undiscounted cash flow method whenever events or circumstances indicate the carrying value of an asset may not be recoverable. There were no impairment losses related to long-lived assets as of June 30, 2012 and 2011.

Promises to give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable values. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions:

Contributions are recorded as either temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

Contributed services:

The Association recognized contributions and related expenses of approximately \$219,500 and \$194,200 for donated products and print advertising services for the years ended June 30, 2012 and 2011, respectively. In addition, a substantial number of unpaid volunteers have made significant contributions of their time to develop the Association's programs and special events. The value of this contributed time is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation.

Revenue recognition:

Dues and officials revenue are assessed on an annual basis. Deferred revenue represents dues and officials revenue received in advance of the time period for which it applies. Activities revenue is recognized as each activity occurs.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (concluded):

Functional expenses:

Expenses are charged to program or general and administrative based on a combination of specific identification and allocation by management.

Income taxes:

The Association was incorporated as a not-for-profit organization under the laws of the State of New Jersey and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

The Association has filed all required payroll tax returns and payroll taxes due have been paid.

The Association has no unrecognized tax benefits at June 30, 2012 and 2011. The Association's Federal and state tax returns prior to 2009 and 2008, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Association would recognize interest and penalties related to tax matters in interest expense and penalties in operating expenses.

Reclassifications:

Certain amounts in the 2011 financial statements have been reclassified to conform to the current year's presentation.

Subsequent events:

The Association has evaluated subsequent events through October 17, 2012, which is the date the financial statements were available to be issued.

Note 3 - Property and equipment:

Property and equipment consists of the following:

	Range of Estimated Useful Lives	2012	2011
Land		\$ 361,346	\$ 361,346
Buildings and improvements	10-39 years	2,624,764	2,600,464
Furniture and equipment	3-5 years	393,495	375,726
Automobiles	3 years	121,058	121,058
		<u>3,500,663</u>	<u>3,458,594</u>
Less accumulated depreciation		<u>(2,093,915)</u>	<u>(1,955,029)</u>
Totals		<u>\$1,406,748</u>	<u>\$1,503,565</u>

Depreciation expense amounted to \$138,886 and \$155,962 for the years ended June 30, 2012 and 2011.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 4 - Lease commitments:

The Association leases certain equipment under operating leases expiring through June 2014. Rent expense amounted to \$24,525 and \$26,170 for the years ended June 30, 2012 and 2011, respectively.

Minimum lease payments under noncancelable operating leases in each of the years subsequent to June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$22,005
2014	<u>15,840</u>
Total	<u>\$37,845</u>

Note 5 - Net assets - unrestricted:

At June 30, 2012 and 2011, net assets - unrestricted is comprised of the following:

	<u>2012</u>	<u>2011</u>
Executive Committee of the Board of Directors designated funds for future needs:		
Capital improvements	\$ 65,000	\$ 50,000
Computer equipment and software	5,000	20,000
Litigation/insurance reserve	75,000	75,000
Retirement benefits	<u>75,000</u>	<u>75,000</u>
Total designated funds	220,000	220,000
Net investment in property and equipment	1,406,748	1,503,565
Operating	<u>638,133</u>	<u>575,008</u>
Total net assets - unrestricted	<u>\$2,264,881</u>	<u>\$2,298,573</u>

Note 6 - Pension plan:

The Association maintains a defined contribution pension plan covering substantially all of its employees. Contributions, which are determined as a percentage of each covered employee's gross salary, amounted to \$108,649 and \$114,393 for the years ended June 30, 2012 and 2011, respectively. Other expenses related to the administration of the plan were \$728 and \$2,791 for the years ended June 30, 2012 and 2011, respectively.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 7 - Litigation:

The Association is involved in various claims and legal actions arising in the ordinary course of business. Management believes that the ultimate disposition of these matters will not have a material adverse effect on the Association's financial position or activities.

Note 8 - Business risks:

The Association is significantly affected by market factors, including demand for and price of tournament games tickets. These factors are influenced by a variety of external forces, including weather conditions, enacted legislation, and heightened security concerns. Currently, regulation provides for fixed ticket prices for tournament games, which currently does not permit the Association to adjust ticket prices to respond to rising costs from changes in the market factors.